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NEWS SUMMARY

GENERAL

Lebanon invasion fears growing

Fears of an Israeli invasion of southern Lebanon are growing.

Troops concentrated on the border have been put on alert and Israeli jets flew over Beirut. These moves followed a series of Israeli Cabinet threats that Israel would not allow Palestinian guerrillas to endanger the lives of its citizens.

Zaire's decision to restore diplomatic relations with Israel has sparked a wave of protest from Arab nations.

In Sidon, Lebanon, three people were killed in gun battles between leftist guerrillas and Palestinians. Page 3

£1.3m ransom

Turin businessman Paolo Alessio, 56, has been freed by kidnappers following payment of a £1.3m ransom by his family. In West Germany, an eight-year-old girl, kidnapped in December, was freed after her German banker father paid a £358,000 ransom.

Greece surprised

Greece has been surprised by U.S. Secretary of State Alexander Haig's remarks that no meeting between President Reagan and Greek Premier Andreas Papandreou has been planned for next month's Nato summit, in Bonn. Page 3

Aircraft scare

An Alitalia captain reported an explosion close to his aircraft while flying over southern Italy, where Nato manoeuvres were taking place. An investigation is to be held.

Ulster blast

The wife of a former Northern Ireland police chief, May Bradley, was injured by a booby trap bomb when she opened the front door of her Belfast home.

Nazis 'brought in'

Several hundred Eastern European Nazis and collaborators were smuggled into the U.S. after the Second World War, to help with anti-Soviet intelligence, a U.S. television programme claimed.

Schild evidence

Rolf Schild and his family, victims of a kidnapping in Sardinia, in 1979, will testify against their alleged abductors in London, following their refusal to return to the island.

Asylum granted

Thirteen leftists, who occupied the Brazilian embassy in Guatemala, have been granted political asylum in Mexico.

Holiday offers

Tour operators and travel agents are forecasting a spate of price cuts as their peak season nears with many holidays unsold. Page 6

Brazil switch

Brazil has switched its long-standing economic alliance from Iraq to Iran, based on the belief that Iran will win the 20-month Gulf war. A Gulf Co-operation Council meeting in Kuwait was broken off in a move to reach Arab unity over the war. Page 3

Briefly . . .

A £5m feature film is to be made of the TV series Dallas.

An Iranian stowaway was found dead from exposure in the wheel housing of a jet at Istanbul.

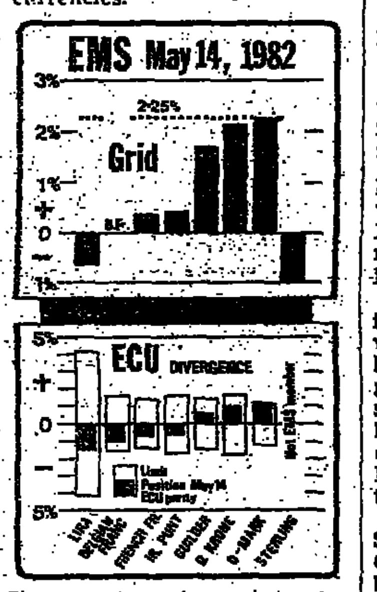
BUSINESS

BNOC to resist oil price rises

● BRITISH NATIONAL Oil Corporation is likely to resist pressure for a rise in North Sea oil prices next month because of Nigerian competition, despite traders' claims that UK producers are selling at a big discount. Back Page

● ESSO is planning a productivity deal under which its 1,700 oil tanker drivers would be paid for work completed rather than for time spent at work. Back Page

● D-MARK was the strongest member of the European Monetary System for most of last week. It fell slightly below the Danish krone on Monday, but returned to the top position on Tuesday. German interest rates were generally steady after the cut in the Bundesbank Lombard rate the previous week. The lira remained the weakest EMS currency, below the Belgian franc, which continued to suffer from speculative pressure. Euro Belgian franc rates rose sharply around the middle of the week to defend the currency against growing fears about a future devaluation. The pressure seemed to ease later, and the Belgian franc finished little changed, as did most other currencies.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● BRITISH INSURANCE Association dropped plans for a multi-million pound promotional campaign because of insurance companies' opposition. Back Page

● CHARTERED Accountants Institute's management system will be the subject of a protest by a group of members at next month's annual meeting. Page 5

● ASSOCIATION of Professional Executives, Clerical and Computer Staff, whose membership has dropped sharply because of redundancies, voted at its annual conference to press ahead with amalgamation talks with other unions. Page 7

● BRITAIN'S black economy is declining because people have less money for home improvements. Page 5

● PLAYBOY ENTERPRISES lost $22.6m in the first quarter compared with a net profit of $2.7m last year. Page 18

● CHRISTIAN ROVSING, a Danish computer company, has raised £3m in London with a placing of 150,000 non-voting shares—believed to be the first international private placing by a Danish company. Page 16

Task force set for more raids as Falkland hopes recede

BY MARGARET VAN HATTEM, POLITICAL STAFF

THE GOVERNMENT intends to intensify pressure on the Argentine Junta over the next few days, with more raids on the Port Stanley area, as hopes of concluding a diplomatic settlement to the Falklands crisis ebb further away.

Doubts in London over the Argentine response to the latest United Nations proposals, and in particular of the chances of getting a clear nad binding reply, are so strong that the British Government has held back from giving a categoric reply.

Sir Anthony Parsons, Britain's Ambassador to the UN, returns to New York this morning to resume negotiations. It was stressed in Whitehall yesterday that the Government is still trying hard to negotiate a settlement, but also that it suspects the Argentines of playing for time and is not prepared to allow more than a few days before undertaking more drastic military action.

Speculation that the Government may harden its negotiating stance if the Argentines do not match some of the concessions implicitly on offer in recent weeks was reinforced yesterday when Mr John Nott, the Defence Secretary, said he did not envisage Argentina ever having sovereignty over the Islands.

This comment, made on BBC radio, appears to have caused some embarrassment in Government circles, where the policy that sovereignty is negotiable is still upheld.

It is not clear whether Mr Nott meant that he considered Argentine sovereignty unlikely, or that it was not an option as far as the Government was concerned. The ambiguity of the comment, however, leaves open the possibility of differences within the Cabinet on this point.

In view of increasing pressure fom the Right wing of the Tory Party against any concessions to the Argentines, which could be regarded as a sell out, the Government appears determined not to move an inch further until it has watertight guaantees that the Argentines will withdraw from the Islands on the understanding that sovereignty is yet to be negotiated.

The outstanding difficulties, according to Whitehall, concern the securing of binding guarantees from the Argentines to a withdrawal of all military and civilian personnel; agreement on some form of interim administration, in which Britain insists the Falklanders' institutions should be represented; and categoric Argentine acceptance that there should be no pre-

Continued on Back Page

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ARGENTINA DRAFTS REPLY

ARGENTINA YESTERDAY drafted its final reply to the United Nations peace initiative on the Falklands crisis as Argentine newspapers warned that a bloody battle over the islands might be imminent.

The so-called "Malvinas group," headed by Foreign Minister Nicanor Costa Mendez, met to put the last touches to Argentina's reply to Sr Javier Perez de Cuellar, the UN Secretary-General, who has been trying to arrange a South Atlantic ceasefire.

While President Leopoldo Galtieri said yesterday he expected "some kind of rapprochement" with Britain in the next few days, the tone of his statement in an interview with Mexican television was tough. He warned that Argentina was ready to fight off any British invasion of the islands.

The daily Buenos Aires newspaper, Clarin, said yesterday the stage seemed set for "the harshest and most dramatic battles in defence of the archipelago."

Invasion 'likely to be withheld'

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

ORDERS TO step up military pressure on the beleaguered Argentine garrison on the Falkland Islands have been given to the British task force in the South Atlantic. It seems, however, the signal to invade will be withheld pending outcome of the peace initiative at the United Nations.

The military action ordered is likely to follow the pattern at the weekend when Royal Marine commandos landed on Pebble Island, destroying 11 light aircraft. Sea Harriers from the aircraft-carriers Hermes and Invincible also mounted two more bombing raids on the island's main airport at Stanley.

The weekend action and any following in the next few days will have the dual purpose of harassing the Argentine garrison on the islands and of securing the air and sea blockade in the 200-mile total exclusion zone around the Falklands established more than two weeks ago.

Mr John Nott, the Defence Secretary said yesterday the Government believed the blockade was effective and that the task force's softening-up process was undermining the morale of the Argentine garrison, unofficially estimated at 7,000 to 9,000.

The Defence Ministry emphasised at the weekend that the Pebble Island action, though it involved the first acknowledged British landings since the task force arrived, was a raid not an invasion.

Full details are still not available. It appears, however, that 50 Royal Marine commandos were landed on the island and after trekking seven hours over rough country were in position to attack the airstrip area. The marines were supported by naval gunfire from an unnamed task-force ship.

Eleven Argentine aircraft, including six small counter-insurgency Pucara and a light Skyvan transporter, were destroyed. The task force suffered two minor casualties. Firing was said to be well away from Falkland Islanders' homes.

What happens on the military front in the next few days will depend partly on the deteriorating weather. The task force, however, will have four key targets:

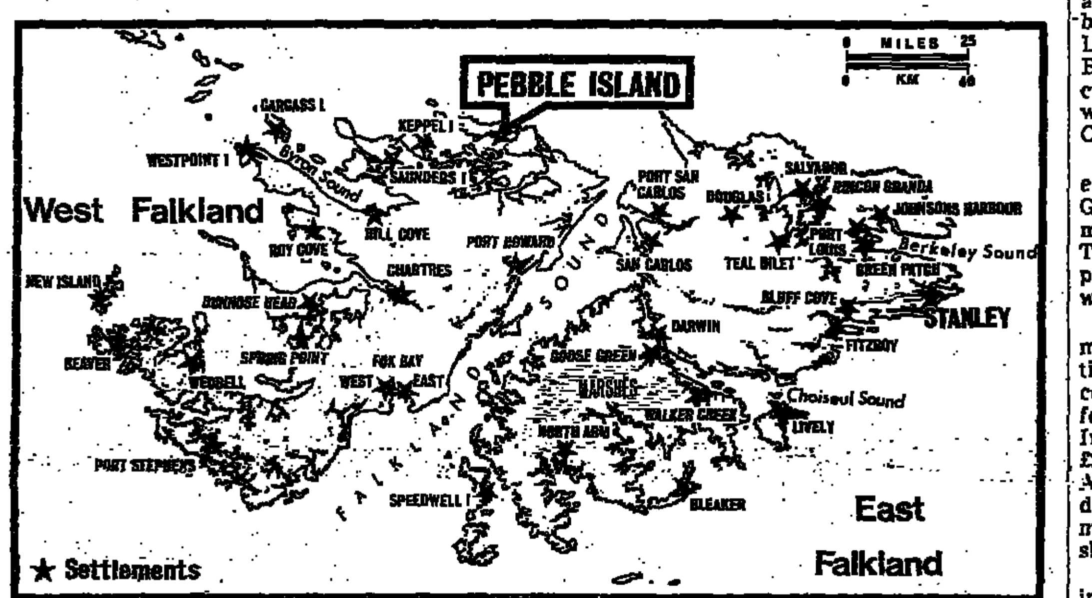
● Small grass airstrips like that at Pebble Island: These exist at many of the Islanders' settlements on East and West Falkland. Several are believed to be used by the Argentines and perhaps include the two largest, both on East Falkland, Hill Cove and Chartres.

● Radar units on the islands: These Admiral John Woodward, task-force commander believes the Argentines are still able to operate, to pinpoint the Royal Navy for Argentine attack, as happened last week when one warship was damaged.

● Stanley airport: The task force will want to deny use of this to the Argentine garrison.

● Military supplies and com-

Continued on Back Page



British Telecom expansion plan

BY GUY DE JONQUIERES

THE GOVERNMENT is considering plans for restructuring British Telecom, freeing the organisation to develop into a major force in the computer and communications industries in the UK and overseas.

The proposals, backed by Mr Patrick Jenkin, the Industry Secretary, would enable British Telecom to expand substantially its manufacturing activities giving it the leading role in equipping Britain with modern cable television systems and the video communications services.

The plan also includes proposals to introduce legislation later this year permitting the sale of up to half of British Telecom to private investors and relaxing the tight restrictions on financing which the Government imposes.

However, the fate of the plan depends critically on whether the Government is able to win the acquiescence of the Post Office Engineering Union. The union favours a wider industrial role for British Telecom, yet is strongly opposed to any privatisation.

Mr Jenkin is expected to make an effort in the next few weeks to persuade the union's leaders to change their minds. One incentive which he may offer is the possibility that the union would be consulted regularly on business strategy.

Last week, British Telecom submitted a report to the Government arguing strongly that the organisation should be given overall responsibility for laying new cable systems to carry cable television programmes, computerised information services and video communications.

British Telecom claims that it could do the work more efficiently than if private cable television operators were allowed to build separate cable television networks in different parts of the country. It suggests laying cable on behalf of private operators and recouping its investment by charging them for traffic carried.

The British Telecom proposals are in marked contrast to the recommendations of the Prime Minister's Information Technology Advisory Panel (ITAP). In a recent report, ITAP argued that the private sector should have free rein to lay cable systems.

Mr Jenkin is understood, however, to agree with the British Telecom view that such an approach could lead to unnecessary duplication of cable systems and the development of technically incompatible networks.

Mr Jenkin is also considering proposals which would allow British Telecom to involve itself more deeply in manufacturing, by setting up its own factories, taking over existing companies or entering joint ventures with private sector partners.

The aim would be to reshape British Telecom on the model of larger U.S. independent telephone companies, like General Telephone and Electronics, which have a vertically-integrated structure embracing manufacture as well as the operating of a large telephone network.

The Government believes that if British Telecom were allowed to develop in this way, it could prove a formidable competitor

Traders bank on a deal of fun

BY DAVID MARSH

CURRENCY COCKTAILS are not all that will be mixed in the City this week. International foreign-exchange trading is expected to grind to a halt in a few days as 2,000 currency dealers from around the world gather in London, with guest stars Larry Adler and the President of the West German Bundesbank, for their annual knees-up.

The dealers are from banks in 50 countries as diverse as Kenya and the Soviet Union. They will assemble from Thursday for the gathering of the International Forex Association.

It will give dealers a chance to discuss developments on foreign-exchange and credit markets. The fall-off in foreign-exchange profits just reported by many U.S. banks, caused mainly by calmer currency conditions over the past few months, is however, hardly expected to disturb the bonhommie. Generally they will be having just a good time.

Underlining that bankers can have a bit of fun with their roll over exposures and hedging techniques, they will be treated to a Friday Night is Music Night entertainment at the Royal Festival Hall. It will star Mr Adler.

There are also a visit to Hever Castle, Kent, a day-trip to Brighton for wives and girlfriends (though not both at once), and for the husbands of the growing number of female foreign exchange dealers, and any amount of wining and dining.

Serving up the serious stuff will be Herr Karl Otto Poehl, the Bundesbank president. He will deliver a presentation after Saturday morning's annual general meeting at the Barbican in the City of London.

The gathering, the 24th, traditionally results in thin and erratic trading on foreign exchanges as the currency community lets down its hair. This year's meeting is bigger than ever. One sour note will intrude—the handful of delegates from Argentina is not expected to turn up.

Davy still seeks link with Indian steel contract

BY K. K. SHARMA IN NEW DELHI AND PAUL CHEESERIGHT IN LONDON

DAVY McKEE, part of the Davy Corporation, will seek to negotiate the sale of equipment and services to India for a 1.5m-tonnes-a-year steel plant in Orissa, despite the weekend loss of its position as consortium leader for construction of the £1.5bn project.

"There is still a major role for Davy to play," Sir John Buckley, the group chairman, said yesterday. "It could still work out that we do as much as we originally planned to do." Failure to win the construction contract would not have a major effect on Davy's fortunes, he added.

During the weekend, the Indian Government revoked a letter of intent, granted to Davy last September, for turnkey construction—providing a completed plant ready to operate.

The breakdown in negotiations occurred when Davy and the Indian Government failed to agree on a revised price following an Indian decision to change the site of the plant and its mix of products.

This is the second check in a week to Britain's drive to boost capital exports to India. Last Thursday efforts to sell British System X telecommunications equipment were foiled when a £90m contract went to CIT Alcatel of France.

The Indian move is also an embarrassment for the UK Government. A succession of ministers, from Mrs Margaret Thatcher downwards, has supported the Davy bid in talks with the Indian Government.

But the steel and telecommunications failures were partially offset by the signing of a contract, also at the weekend, for Northern Engineering Industries to construct a £231.5m thermal power station. A further contract to cover the development of a related coal-mine project is expected shortly.

The Indian Government still intends to build the Orissa plant, but it will seek maximum use of Indian contractors and equipment. What cannot be provided from domestic sources will be put out to international tender.

In London it is noted that the original financial package, put together to support the Davy bid, remains in place, and that the Indian Government will need funds for the project. The package is made up of export credits at 7.75 per cent, a Euro-currency loan and aid funds.

At least part of this could still be used if orders are placed with British companies. Sir John hopes that the possibility of these might emerge "in a few weeks."

Sir John Buckley

The package covered a fixed-price contract with no provision for cost overruns, according to Indian officials. But Davy's revised estimate for the plant came to over £2bn, a figure which the Indian Government did not think was justified.

According to the British group, the increase arose because of a change in the concept and specifications of the plant and the switching of the site from Paradip, on the coast, to Daitari, 120 miles inland. Davy was reluctant to commit itself to a fixed-price contract on a new site which needed extensive survey.

This is partly corroborated by the Indian side. It is said that Davy became unwilling to take on a turnkey contract and asked the Indian Government to make its own arrangements for construction. It is also said that Davy raised its equipment costs by up to 30 per cent.

The setback to the construction of the Orissa plant is likely to lead to a review of the Indian policy of awarding turnkey projects to foreign companies provided they come with attractive financial packages.

The inclusion of £200m of UK Government grants in the Davy package is assumed to have been one reason why the British group emerged with a letter of intent in the face of a lower bid from a consortium led by Mannesmann Demag of West Germany.

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Galtieri adopts tough stand over islands

BY HUGH O'SHAUGHNESSY AND JIMMY BURNS IN BUENOS AIRES

PRESIDENT LEOPOLDO GALTIERI of Argentina has given no signs of being ready to make any fundamental diplomatic concessions to Britain as the current peace efforts by the United Nations draw to an end.

Argentina's formal reply to UN Secretary-General Javier Perez de Cuellar's plan for a ceasefire in the South Atlantic is expected to be handed over by Ambassador Enrique Ros in New York when Sir Anthony Parsons, the British envoy to the UN, arrives back in New York from London with Britain's reply.

Contrasted

Gen Galtieri adopted a tough stand in an interview with Mexican television on Saturday, which contrasted with a much more flexible attitude in another interview with Peruvian television the previous night.

While he expected "some kind of rapprochement with Britain in the next few days, President Galtieri warned that Argentina was ready to fight off any British attempt to reoccupy the Falkland Islands.

"Let no one be mistaken," he said in the interview. "I have 400 Argentines dead and, if it is necessary for the defence of reasonable pride, historical pride . . . Argentina is ready for 4,000 or 40,000 for five or six months, or five or six years. Latin America's Argentina will not haul down its flag, nor will it raise a white flag."

Sr Nicanor Costa Mendez, Foreign Minister, on Saturday refused to say he was optimistic about the negotiations being carried out by the UN Secretary General, but commented that he was confident.

According to Argentine sources, the sticking points in the UN negotiations involve Britain's insistence that the Royal Navy be allowed to approach up to 200 miles from the Falklands after any withdrawal of Argentine and British forces from the area of conflict.

The British are said to see that as essential, if Britain is to counter the advantage of Argentina's geographical proximity to the Falklands. Britain and Argentina are also said to disagree on the role of the Falklanders in any transitional administration.

Present plans call for a UN administrator to be assisted by an Argentine and British official. Britain is said to want the Falklanders' present island council to continue in being, while Argentina seeks some representation for the small number of Argentines who were living in the territory before the invasion.

Argentina is still rejecting British insistence that there should be no immigration of Argentines and no purchases of property on the Falklands by Argentines during a transitional period.

Negotiations

Argentina is also insisting on a period of no more than 18 months of negotiations before its sovereignty over the territory is formally recognised.

Meanwhile, the Argentine side has said comparatively little about British military operations in the Falklands region, limiting itself to saying that three of its aircraft had been damaged in an "enemy surface raid on Isla Borbon (Pebble Island). Argentina has also accepted the Chilean offer of a loan of the polar vessel, Piloto Pardo, for the transport of wounded from the Falklands.

British shift stance on withdrawal and administration

BY PETER RIDDELL, POLITICAL EDITOR

THE British Government's stated position in the talks over the Falkland's crisis has changed in several ways during the last six weeks.

A comparison of the speeches and comments in the Commons of both Mrs Thatcher and Mr Francis Pym, the Foreign Secretary, shows how the UK position has shifted, in particular:—

● acceptance that the task force may be pulled back to match an Argentine withdrawal from the islands

● abandonment of insistence on restoration of British administration, and acceptance of involvement of third parties as long as islanders are involved in these arrangements

● dropping of insistence upon paramountcy of islanders' wishes in favour of a more vague formula.

There has, however, been no shift on two fundamental points, expressed by both Mrs Thatcher and Mr Pym in the Commons last Thursday and supported by Mr Denis Healey for Labour.

These are the necessity of withdrawal of the whole Argentine invasion force as part of any ceasefire and the insistence that the outcome of long-term negotiations about the future of the islands must not be prejudged in advance, that is that *Argentina must not claim, or* believe, that sovereignty would be ceded within a short time.

There are hardly any differences of substance between *Mrs* Thatcher and Mr Pym, though their emphasis and tone has varied, especially in the last fortnight.

This may partly reflect their contrasting personalities. Mr Pym, in particular, has stressed his desire to pursue talks of whatever kind. These differences could become significant if the Cabinet is faced with a possible deal.

After the invasion on April 2 Mrs Thatcher gave an immediate statement of the British position in the Commons debate the following day.

She said the British Government had "always made it clear that their (the islanders') wishes were paramount and that there would be no change in sovereignty without their consent and without the approval of the House."

In his first speech as Foreign Secretary on April 7, Mr Pym said Britain intended, "to see that the Falkland Islands are freed from occupation and returned to British administration at the earliest possible moment."

He later assured the islanders that "Britain will stand by them. We have always said that their wishes are paramount."

That remained the British position in public statements over the next fortnight as Mr *Alexander Haig, the U.S. Secretary of* State, undertook his "shuttle diplomacy," and ministers refused to discuss *details of the talks.*

The first hint of a shift came in Mr Pym's closing speech in the debate on April 29 when he *discussed the "main elements"* which had evolved during the Haig initiative—the arrangements for withdrawal, for interim administration and arrangements under which the future status of islands might be discussed.

After noting the need for an immediate withdrawal of Argentine forces, Mr Pym said "we for our part would be prepared to move British forces in parallel.

At the same time we have to ensure that there can be no change of heart or mind on the part of the Argentines during the process of withdrawal."

On the interim arrangements he also introduced an element of flexibility, saying that "provided that the principle of British administration is preserved, the Government are prepared to consider reasonable suggestions and ideas in this field."

On the status of the islands in the future negotiations, Mr Pym for the first time did not mention the word "paramount."

He said the basic position is that "Britain is ready to cooperate in any solution which the people of the Falkland Islands could accept and any framework of negotiation which does not predetermine and does not prejudice the eventual outcome."

On May 5, Mr Pym said that, in the longer-term, that Government had "an open mind about what might be the ultimate solution. The UN trusteeship concept is most certainly one of the possibilities and may eventually prove to be a highly suitable one."

The clearest indication of the shift in Britain's position came on May 7 following the collapse of the U.S./Peruvian initiative.

In his statement Mr Pym disclosed details of an interim agreement which, he said, Britain would have been "willing to accept and implement immediately."

The agreement would, he said, have demonstrated "substantial flexibility on our part." The proposals included: "First, complete and supervised withdrawal of Argentine forces from the Falkland Islands matched by corresponding withdrawal of British forces.

"Secondly, an immediate ceasefire as soon as Argentina accepted the agreement and agreed to withdraw.

"Thirdly, appointment of a small group of countries acceptable to both sides which would supervise withdrawal, undertake the interim administration in consultation with the islanders' elected representatives, and perhaps help in negotiations for a definitive agreement on the status of the islands, without prejudice to our principles or to the wishes of the islanders.

"Fourthly, suspension of the existing exclusion zones and the lifting of economic sanctions."

In a later answer Mr Pym underlined the flexibility on the interim arrangements. "I would not like to say that we have ruled out any particular options. One can imagine that interim arrangements that put Argentina in a dominant position would be totally unacceptable. But I have kept our options open."

Mr Pym later elaborated on some of these points in the full Commons debate last Thursday.

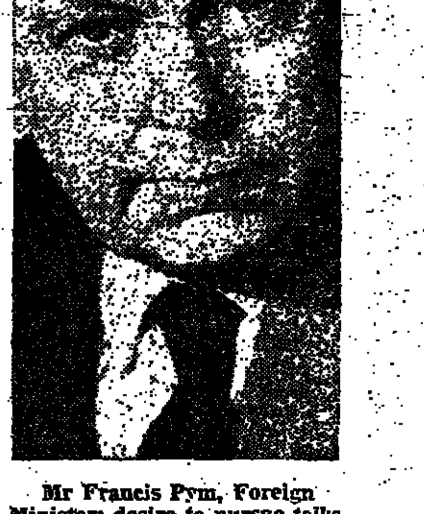
On withdrawal, he said that when Argentina demonstrated "that readiness to withdraw is a reality, we shall feel able and willing to match this—in ways yet to be determined—by standing our own forces off from the area of conflict.

Earlier, on Thursday, during Prime Minister's questions, Mrs Thatcher appeared to be insisting on a firmer guarantee than "readiness to withdraw."

She said that "under the arrangements that have continually been discussed—the proposals changed a little—our task force would not be withdrawn until the Argentines had withdrawn."

On the interim arrangements, Mr Pym made it clear that Britain did not "debar involvement of third parties in these arrangements. It may or may not be the case that the UN will have a role to play. But we could not of course agree to a structure, however temporary, which ignored the past and disregarded the administrative experience of the British inhabitants of the islands."

He said the islanders must be fitted in to any interim arrangements.



Mr Francis Pym, Foreign Minister: desire to pursue talks.

Union lifts ban on official film

By Our Labour Editor

THE FILM technicians' union in Britain, ACTT, has ended its blacking of Government information films about the Falklands, following the re-opening of negotiations between the union and the Government on redundancy notices issued to 26 ACTT members who were working for the Central Office of Information.

It is understood that the ban had had little effect on coverage in Britain of the Falklands crisis.

Pope's doubt over visit

VATICAN CITY—Pope John Paul said yesterday his planned visit to Britain later this month was threatened, despite its historic importance, by the Falklands crisis.

However, he said he still hoped that with "the goodwill of men and the help of God" the crisis would be resolved and the journey would go ahead.

He was addressing a crowd of 50,000 in St Peter's Square, Rome, after returning from a four-day visit to Portugal where he escaped an attempt on his life. He looked tired and spoke slowly.

After telling the crowd he was aware of the spiritual preparations and expectations of British Catholics for his visit, the Pope said: "Unforunately, the well-known events in the *South Atlantic have disrupted* these expectations, putting the possibility of this journey in doubt."

The trip is due to start on May 28 and is viewed by the Church as of historic importance for the reconciliation of the Roman Catholic and Anglican faiths. It would be the first ever Papal visit to Britain

Reuter

Protest over U.S. ambassador prepared

By Hugh O'Shaughnessy in Buenos Aires

AMID persistent reports that Argentina may move back to civilian rule, perhaps in the next *few months, military* officials in Buenos Aires say that Argentina is preparing a formal note of protest to *Washington about the activities* of Mr Harry Schlaudeman, the U.S. ambassador.

The officials, quoted by the Noticias Argentinas news agency, says that Mr Schlaudeman has exceeded his diplomatic functions in *talks with politicians, trade* unionists and businessmen.

Anti-U.S. figures have for some days accused him of *wanting a change of government* and of supporting politicians opposed to the junta.

It is not at all clear, however, whether any new government would modify the popular decision to maintain *Argentina's hold on the* Falkland Islands.

The normally well-informed columnist Sr Jesus Iglesias *Rueco of the conservative* daily La Prensa, who, in January, forecast the Argentine invasion of the Falklands, *reported* yesterday that the Government was considering calling elections for 1984 which would be open to all except those connected with "subversion."

He added that some Government figures were wanting an announcement of this to be made at once without waiting for the end of hostilities with Britain.

He added that the Peronists appeared to be veering towards this election option and away from their earlier plans for a political deal with the *military that they had* been favouring earlier.

Within the powerful middle-of-the-road Radical Party, the *contest is continuing between* whose who want former President Arturo Illia, deposed by a military coup in 1966, *proclaimed* the party's *new presidential candidate* and those who support the present party leadership of Sr Carlos Contin.

The "developmentalists" meanwhile who seek the rapid industrialisation of the country behind high tariff barriers, are putting forward former Foreign Minister Oscar Camilion as their presidential candidate.

He is backed by General Roberto Viola, who was deposed from the Presidency by General Galtieri last December.

An outside civilian runner for the presidency is seen as Sr Alexandro Orfila, the present secretary general of the Washington-based Organisation of American States.

The Galtieri junta, the successor of the military *government which* toppled President Maria Estella Peron from the Presidency in 1976 has been cautiously giving the still powerful Peronist movement more political facilities.

The Peronist publication El Candillo, banned for many years, has this month reappeared on the news stands carrying a message of support for the invasion of the Falk*land Islands, a note of thanks* to the Spanish Phalangist Party for its support of Argentine military action and bitter criticisms of economic liberals and foreign multinationals.

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Eight big Argentine companies call creditors' meeting

BY JIMMY BURNS IN BUENOS AIRES

EIGHT BIG companies belonging Sr Hector Capozzolo's private holding company, one of the largest business empires in Argentina, have called a creditors' meeting as a first step towards a declaration of formal bankruptcy.

A court has ordered a detailed analysis of the group's financial problems, but the Capozzolo empire was recently reported to have debts of about $270m (£147m).

The group has had wide interests throughout industry, agri-business, real estate, and the financial sector. A *few* years ago it was reported to have made a joint bid for the Falklands Island Company.

Acute sign

The threatened bankruptcy *of the holding company* is the most acute sign to date of Argentina's delicate economic situation, as the country *struggles to convince the world* that British and EEC sanctions will not bring it to the point of collapse.

Further confirmation of the extent of the Argentine recession came this weekend with the release of figures which show that nine important sectors of industry used only 54.1 per cent of installed capacity during the first quarter of 1982.

According to a study by the Argentine Business University, there was an 8 per cent drop in output by these sectors, compared to the equivalent period last year. The most spectacular decrease in production was registered by the automobile industry, which utilised only 26.2 per cent of its installed capacity, and registered a 9 per cent drop in output, compared to the first quarter of 1981.

The deepening recession here and the growing financial problems provoked by the Falklands crisis have stimulated intense debate in Buenos Aires economic circles. There are also renewed reports that Sr Roberto Alemann, the Economy Minister, is under great pressure from sectors of the military to modify his economic policies.

Ambito Financiero, the leading Argentine financial daily, published this weekend a highly critical memorandum alleged to have been presented to the military junta by leading economic officials other than Sr Alemann. The document claimed that there were now "serious contradictions" between the political powers and some aspects of the economic programme, and emphasises the pressing need to reconcile the two. The document points to the continuing recession, the lack of investment provoked by political uncertainties and continuing high interest rates.

Critical point

It claims that the Argentine economy is approaching a critical point. "If things go on the way they are, the financial system will inexorably go bankrupt . . . The deepening recession . . . will mean increased unemployment and a further decline in real wages in a context of hyper-inflation."

The document contains a strong defence of the liberal economic philosophy advocated till now by Sr Alemann, but warns that there may be pressure to implement a "populist and statist programme," presumably as a result of the nationalist emotions being stirred by the Falklands crisis.

The Public Information Service, the propaganda arm of the military junta, announced last week that the government's programme of denationalisation had been postponed until further notice.

Mrs Thatcher thanks France for support

BY MARK MEREDITH IN EDINBURGH

MRS MARGARET THATCHER, the Prime Minister, yesterday thanked France for the support it had given Britain over the invasion of the Falklands, and stressed that the two countries had very similar attitudes to violations of international law.

She was speaking at a meeting of the Franco-British Council in Edinburgh, following talks with M. Pierre Mauroy, the French Prime Minister. The council was set up 10 years ago to give a fresh impetus to bilateral relations between the two countries.

Mrs Thatcher, who is due to meet President Francois Mitterrand of France in London today, said that the day after the invasion, he telephoned her to express his support for the British position. "I shall never forget that quick and timely gesture." The President of France understood at once the principles which were at stake: that, if an aggressor succeeded in this case, no small country or territory anywhere would be safe; that if freedom and international law were flouted, unchallenged, in a distant part of the world, they would be elsewhere too."

France understood those principles because it has a special commitment to liberty and responsibility for small territories far from its shores, she added. "I believe that the present governments of France and Britain, and the people of our two countries, have a similar perception of the dangers, economic and political, and a similar resolve to face them."

The Prime Minister added: "There is no surer basis for friendship than that. Anglo-French co-operation is not only a dream, not only an ideal, it is a necessity."

M Mauroy, in his address to the council, said the common approach of the two countries had found expression in relation to events in the South Atlantic.

"Today, as yesterday, when peril threatens, France and Great Britain are determined to defend the values on which their societies are based. France, for her part, will always stand up against violations of international law, she will always advocate negotiation rather than the use of force." The French Prime Minister added that France set great store by a negotiated settlement.

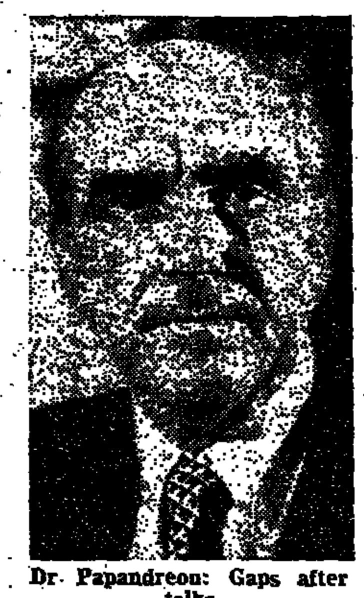
Haig denies any Greece-U.S. Nato summit

BY VICTOR WALKER IN ATHENS

MR ALEXANDER HAIG, the U.S. Secretary of State, in a surprise remark in Athens yesterday, said that no meeting between President Ronald Reagan and Dr Andreas Papandreou, the Greek Prime Minister, had been planned for the Nato summit in Bonn next month.

The "Reagan-Papandreou summit" has been presented here as potentially vital for the future of Greek-U.S. and Greek-Nato relations.

Mr Haig's dampener followed more than six hours of talks between Mr Haig and Dr Papandreou, which left clear gaps between the positions of their respective governments on questions of Nato, U.S. military bases in Greece, Cyprus, and on the guarantee sought by Greece against possible Turkish aggression in the Aegean.



Dr Papandreou: Gaps after talks

Mr Haig said the only bilateral discussion so far scheduled for Bonn by Mr Reagan was that with Herr Helmut Schmidt, the West German Chancellor, as the head of the host government, though "this does not preclude whatever discussions will occur in the margins, at opportunities provided by breaks and social events."

Mr Haig, the first senior U.S. official to visit Greece since the socialist victory in general elections last October, had two sessions of talks with Dr Papandreou on Saturday, at the Prime Minister's home and during a dinner given by the U.S. ambassador. He also spent an hour with President Constantin Karamanlis.

He said yesterday that his visit, "while not focused on making specific decisions, on particular questions, did establish a very positive framework for the improvement of our bilateral relationships, including the defence sector." There had been no decisions on U.S. bases, he said, but "a consensus of view on how to deal with the issue, primarily as regards timing and venue."

In reply to a question on the guarantee of its borders, sought by Greece as a condition for its continued membership of Nato, Mr Haig said: "The fundamental character" of this question was "best assured by the full participation" by Nato member states in the alliance, and by "the resolution of long-standing questions among the member states on a bilateral basis."

This was seen as a suggestion of new Greek-Turkish negotiations, suspended by Athens since the elections.

He insisted that the Greek-Turkish dispute over Nato command responsibilities in the Aegean should be settled through the Nato framework.

Fears grow of Israeli invasion in Lebanon

By David Lennon in Tel Aviv

THE ISRAELI Cabinet yesterday issued the latest in a series of warlike threats against the Palestinian guerrilla forces in Lebanon, warning that "under no condition" will Israel permit the Palestinians to continue to "directly threaten the lives of Israeli citizens."

Fears of an imminent Israeli invasion of Lebanon have been heightened by the weekend statements by General Rafael Eitan, the Chief of Staff, confirming that Israel has concentrated troops along the northern border and has put the regular army on the alert.

Yesterday, for the second time in 10 days, Mr Menahem Begin, the Prime Minister, held discussions on the Lebanese situation with the leaders of the opposition Labour Party. Following the earlier meeting the Labour politicians spoke about the need for restraint. This time they refused to comment.

Last Sunday Israel and the Palestinians exchanged air raids and rocket attacks across the northern border. This was the most serious violation to date of the U.S.-mediated ceasefire that went into effect last July after a 12-day cross-border duel which caused serious damage to Israeli property and morale in the north.

A senior Israeli official said after the Cabinet meeting that Israel was not looking for an excuse to go to war, but was determined to end the situation where Israel's northern settlements were within range of Palestinian artillery and rockets.

"The terrorists are holding the residents of the north hostage, and this situation can not go on for long," he said.

AP reports from Beirut: Rival left-wing Moslem militias battled with mortars, rocket-propelled grenades and machine guns in the streets of Lebanon's port of Sidon yesterday. Three people were killed and several buildings were set on fire.

Brazil drops Iraq in favour of Iran

BY ANDREW WHITLEY, RECENTLY IN BRASILIA

BRAZIL has taken a critical, long-term decision to shift away from its long-standing economic alliance with Iraq in favour of Iran. The decision is based on Brasilia's belief that Iran is likely to win the 20-month-long Gulf War soon.

A top-level Iranian delegation last week offered Brazil "an important role" in a major reconstruction programme to be launched in Iran in the aftermath of the war. This is apart from the immediate prospect of exports worth $500m (£272m) a year.

Senior Government officials say the decision is likely to have been taken personally by President Joao Figueiredo shortly before his departure last week on a state visit to the United States.

But the full extent of the shift will only become apparent later, as contracts are signed.

At risk for Brazil is its most important economic relationship in the Middle East.

Iraq has for years been either its leading or second place oil supplier; is the major customer for the booming Brazilian arms exports industry; and has awarded contracts worth hundreds of millions of dollars to Brazilian companies.

However, Brasilia has evidently come to the conclusion that Iraq badly needs what Brazil has to offer and will not therefore damage the essentials of the relationship in a fit of pique against Brazil's rapprochement with Iran, its long-standing enemy.

Brazil accepts that without a political switch now it could find itself on the losing side in the Gulf War, frozen out of a market in Iran which offers immense possibilities for Brazilian contractors and exporters: of foodstuffs, industrial raw materials and manufactured goods.

As one senior official said: "Iran has 40 million people, it has oil and it is going to win the war." In addition private discontent with Iraq is beginning to grow in Brasilia.

Moves towards rapprochement would have taken place earlier if it had not been for the fact that the Brazilian Ambassador to Baghdad is a retired army general close to President Figueiredo, while the Embassy in Tehran is manned only at the Charge d'Affaire level.

For Iran, Brazil, an important trading partner under the Shah, is exactly the sort of ally the Islamic Republic of Ayatollah Khomeini would like to have, in preference to its old ties with the West.

Brazil has a wide range of raw materials, a sophisticated manufacturing industry, and good Third World credentials.

But Iran's offer to Brazil of a special place in its national reconstruction campaign is conditional on Brazil resuming purchases of significant quantities of Iranian oil.

Formerly running at volumes of up to 100,000 barrels a day, oil imports from Iran dried up totally last year.

The Brazilian Government's twin objectives of reducing the country's dependence on imported oil and diversifying away from Middle East sources of supply will, at the least, have to be modified as a result of the Iran decision.

Petrobras, the state oil company, has already decided in principle to resume purchases of Iranian oil.

Volumes and price are still to be settled, but Brazilian officials are confident that an attractive price below the going Opec rate can be agreed on.

The Iranian delegation, headed by Mozafar Jahrani, the Deputy Commerce Minister, visited Petrobras on Wednesday after talks in Brasilia. It also submitted to the foreign trade department of the Banco do Brasil a list of other products, ranging from carpets and electric samovars to biscuits and shampoo, which Iran wants to sell.

Brazilian exports to Iran in 1981, made up largely of animal feed and foodstuffs, were worth $194.5m. But a member of the delegation said Iran wants to buy $400m worth of goods, including trucks, tractors, steel and paper, over the next nine months.

Singapore rate of growth slows down

By Kathryn Davies in Singapore

SINGAPORE'S rate of growth slowed in the first quarter of this year from 10 per cent in 1981 to 7.3 per cent in the first quarter of 1982.

According to figures compiled by the Ministry of Trade and Industry, this represents Singapore's worst economic performance for four years. The Ministry says that manufacturing output grew by 1.6 per cent in this period, the lowest since 1975.

The electrical and electronics industry continued its decline, as did the textiles, timber and plastic industries. Both trade and financial sectors recorded lower rates of growth.

The announcement of such relatively gloomy figures at this time is likely to preclude much lower wage settlements this year. The National Wages Council (NWC) which recommends the annual level of salary rises each year is due to make its recommendations next month.

While the figures are less good than last year's overall rate of growth, it seems more likely that the Government wishes to forewarn workers that their wages will increase much more slowly than in previous years, rather than signalling any real difficulties with the Singapore economy as a whole.

Woman Premier

The Yugoslav Parliament yesterday voted Mrs Milka Planinc the country's first woman Prime Minister to succeed Mr Veselin Djuranovic, Reuter reports from Belgrade.

It also elected her 28-member Cabinet in a scheduled Government reshuffle following general elections in March and April.

Gulf Ministers break off emergency talks

BY JAMES DORSEY IN KUWAIT

FOREIGN MINISTERS of the six-nation Gulf Co-operation Council (GCC) broke off an emergency meeting in Kuwait on Saturday in an effort to allow more time to achieve a unanimous Arab stand on the 20-month-old Gulf war between Iran and Iraq.

The ministers of Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar and Oman will resume their talks on May 30 in the Saudi capital Riyadh.

Gulf diplomats say that Syria constitutes the main obstacle to the formulation of a unified Arab stand on the Gulf war in favour of Iraq. Syria supports Iran and closed its borders with Iraq last month, forcing the regime in Baghdad to cut its oil exports by half.

A weekend announcement that Zaire is to restore its diplomatic links with Israel drew heavy criticism from Arab countries yesterday, writes our foreign staff. Saudi newspapers condemned the move by President Mobutu Sese Seko and Kuwaiti radio called for a political and economic boycott of the African state.

President Kenneth Kaunda of Zambia, currently holding talks in Kuwait, reportedly to dissuade other African states from following Zaire's example.

The oil rich Gulf states fear that the apparently imminent Iranian victory on the battlefield will lead to instability in the region and Iranian attempts to impose its revolutionary interpretation of Islam on its neighbours.

Limited in their options to counteract Iranian military successes the Gulf states hope that a proposed Arab Foreign Ministers' conference declaring its full support for Iraq will give President Saddam Hussein the necessary political, military and moral boost to bring the Iranian offensive to a halt.

Gulf diplomats add that Syria may be induced to soften its support for Iran and loosen the screws on Baghdad in return for a delay in moves to bring Egypt back into the Arab fold.

The Libyan news agency Jana reported yesterday that Libyan leader Muammer Gadaffi and visiting Syrian President Hafez al Assad have warned the Gulf states of falling into a trap laid by the U.S. and Israel.

The two leaders were quoted as saying that the U.S. and Israel were exploiting the Gulf war to divert attention from the Arab-Israeli conflict.

Reuter adds: Iran said yesterday its forces had killed or wounded more than 50 Iraqis in fighting in the Abadan and Khorramshahr front.

AP adds from Beirut: Ayatollah Ruhullah Khomeini's Government warned Arab nations in the Gulf on Saturday that they would "undoubtedly sustain losses" if they came to Iraq's rescue.

Polish price rises cause sharp fall in real incomes

BY CHRISTOPHER BOBINSKI IN WARSAW

REAL INCOME levels in Poland have fallen at a record rate as a result of steep price increases last February, according to figures published by the Government Central Statistical Office.

The figures reveal that real income for state employees, the bulk of the workforce, fell by 23 per cent in the first quarter compared to the same period last year.

The slump in income is due to continue into this month as the effects of the February price rises are felt once domestic budget and one-off bonus payments, paid out in February and March to cushion the impact of the rises, are spent.

In March the gap between incomes and actual spending, which grew throughout last year, frustrating the efforts of planners to balance supply and demand, actually began to narrow for the first time.

The process continued with a vengeance in April.

The price rises, however, are accompanied by no improvement in actual supply level. It is estimated that the flow of consumer goods on to the markets has dropped this year by some 20 per cent compared to last year.

But the figures show that unemployment has not taken a hold in the economy.

Talks on massive reductions have produced widespread anxiety among workers and industrial managers admit that this has led to an improvement in discipline.

However, employment in state-run industry was 268,000 or 5.7 per cent down on the numbers employed in April last year. The fall is explained by people taking advantage of early retirement schemes and women taking longer leaves. In April the number of vacancies in industry stood at 232,000.

The value of industrial production over the first four months of the year has fallen by 10.2 per cent compared to the same period last year. Output in the extracting industries like coal and copper is higher than last year, but manufacturing industry is crippled by shortages of raw materials, components and spare parts from the West.

Debt hurdle for plan to buy El Al

By Our Tel Aviv Correspondent

A GROUP of Israeli businessmen yesterday presented the Government with a proposal to buy the state-owned national airline El Al and turn it into a private company. No financial details of the offer were made public.

Sale of El Al would avoid implementation of a ban on its flights on the Sabbath, which is due to come into effect within three months.

The ban arises from an agreement made by Mr Menahem Begin, the Prime Minister, with a small religious party whose support he needed to form a coalition after the General Election last June.

The potential buyers are headed by Mr Haim Shiff, owner of the largest hotel chain in Israel. He said that the group includes some of the country's leading travel agents and is backed by a major Israeli bank.

However, Mr Nahman Perel, chairman of the El Al board, said yesterday that he knew of no serious plan to sell the national carrier. Another senior El Al official said that, regarding the condition of the airline's finances, nobody would be willing to buy it.

El Al has suffered severe losses in recent years and the accumulated deficit is estimated at about $500m. Despite a reduction of the annual loss from $100m in 1979 to $30m this year, there is no immediate prospect of further reduction. The ban would lose the airline about $14m a year.

The decision to prevent flights on the Sabbath has caused a big row in Israel and some liberal members of the coalition have threatened not to support the measure when it comes before the Parliamentary Finance Committee.

Rise in French jobless

BY TERRY DODSWORTH IN PARIS

FRANCE'S seasonally adjusted unemployment rate is likely to pass through the 2m mark this month unless there is a significant change in the current upward trend.

Releasing the figures for April, which showed a 20,800 increase in unemployment to a total of 1,988,300, the Labour Ministry said that the rise had been roughly constant since last summer.

A similar rate of about 1 per cent this month would push the rate over 2m.

The seasonally adjusted figures contrast with the uncorrected statistics which show a further sharp fall in unemployment for the second successive month. The 1.8 per cent drop to 1,928,200 consolidates last month's fall, which carried the rate below 2m for the first time since last October.

Another positive feature in the present trends is the slight slow down in the annualised rate of increase in unemployment—down to 17.1 per cent last month against April 1981, bringing the figure below 20 per cent for only the second time during the last year.

The overall statistics indicate, however, that the Government's battle against unemployment, strengthened by legislation on longer holidays and the 39-hour working week, is not yet paying big dividends.

W. German unions seek support

BY STEWART FLEMING IN BERLIN

DELEGATES OF the 8m members of the West German trade union movement are meeting here this week to elect a new head of the unions' umbrella organisation, the German Trade Union Federation (DGB), to succeed Herr Heinz Oskar Vetter, who has held the job for the past 13 years.

Union officials are hoping that the meeting, the 12th bi-annual congress of the DGB, will provide an opportunity to rally support for the leaders' policies. Rising unemployment and recent financial scandals in the union-owned Neue Heimat building concern have, it is acknowledged, weakened grass-roots support for the powerful union bureaucracies.

The week-long meeting, which will deal with more than 300 resolutions, will be addressed by the heads of three of the four main political parties in West Germany, and by Chancellor Helmut Schmidt.

Thirteen years ago, when Herr Vetter first took office, West German trade unions stood at the start of a period of considerable expansion of their influence in the economy, on the factory floor and in Bonn.

However, Herr Ernst Breit, 57—the head of the Postal Workers' Union, who is expected to succeed Herr Vetter—would do so when the unions are increasingly on the defensive.

Unemployment hit a record for the federal republic of almost 2m at the beginning of the year and is expected to reach new peaks next winter. Workers' real wages are declining. The social security network for which the unions fought is threatened with cuts and the unions' political influence has waned as the power of its traditional political partner, the Social Democratic Party, within the ruling coalition declined.

The DGB congress is also taking place in the shadow of the Neue Heimat scandals. Among the 385 resolutions which the delegates will debate is one from the trade banking and insurance union, which calls for a wide-ranging discussion of the philosophy and supervision of the unions' vast business empire, which encompasses firms with assets of about DM100bn (£23bn).

Herr Breit's candidature springs directly from the Neue Heimat affair. He was selected as the official DGB candidate to avoid what threatens to be a divisive battle during the congress over the candidature of Herr Alois Pfeiffer, the DGB's first official candidate.

WHO pushes ban on promotion of milk substitutes

BY BRIJ KHINDARIA IN GENEVA

BOTH WESTERN and Third World governments have agreed to speed implementation of an international code banning all promotion by industry in the $4 bn world market for mother milk substitutes.

In a new resolution, the World Health Organisation's (Who) 155-nation annual assembly instructed its secretariate to "design and co-ordinate a comprehensive programme of action" to encourage governments to fully apply and monitor the code approved last year.

In a significant turn-round the U.S., which was alone in voting against the code in 1981, joined the consensus supporting Friday's resolution.

The code's wider application is likely to reduce competition especially in developing countries which absorb about $2bn worth of infant formula products. It will also place heavier financial and administrative burdens on governments which usually cannot afford to provide even minimal health services to their people.

In an attempt to prevent individual manufacturers or governments from interpreting the code in different ways, the resolution also asks the Who secretariate to ensure consistency with the code's "letter and spirit."

The code urges governments to take over distribution of breast milk substitutes from industry and ban publicity as well as the giving of gifts and free samples to mothers.

Only a few governments have so far introduced measures modelled on the code.

The only major manufacturer to support the code so far is Nestle, the Swiss-based food company which has the largest Third World sales, of breast milk substitutes. But critics claim that its instructions to managers to implement the code misinterpret the code's provisions.

At a Press conference in Geneva last week Mr Edmund Muskie, the former U.S. senator and State Secretary, introduced a Nestle-financed commission made up of church leaders, doctors and nutritionists who will advise Nestle in applying the code. No Nestle employees are members.

Rejecting claims that the panel cannot be impartial because of its link with the company, the senator said "I have spent 35 years establishing my credibility and I'm not ready to throw it away."

The former senator said he saw his chairmanship of the commission as an interesting challenge and an opportunity to help reduce infant malnutrition in developing countries.

If Nestle disagrees with the commission's findings, the commission would make them public, forcing the company to choose between mending its ways or letting his reputation be tarnished.

Sharp rise for UK investment overseas

By Paul Cheeseright

THE UK's overseas direct net investment rose sharply to a total of £5bn last year, according to provisional estimates by the Department of Trade. This is a rise of £1.5bn on the total at the end of 1980.

The figures, published in British Business, emphasise a trend which has emerged markedly since 1978. UK company investment overseas, excluding oil companies, has risen fivefold in value over a decade, although this partly reflects inflation.

The pace of investment overseas last year was quicker than that for inward investment, reversing the tendency seen in 1980. Last year inward investment appears to have fallen to £1bn, as UK affiliates repaid or made loans to their overseas investors.

In 1980, however, inward investment had risen by up to a third over 1979, again excluding oil companies, to a total over £2.6bn, while the underlying increase of outward investment rose by just over a sixth.

The main market for outward investment in recent years has continued to be the U.S., and three-quarters of the UK's net purchases of share and loan capital during 1980 were in the U.S. The proportions were roughly the same for 1978 and 1979.

The increased amount of overseas investment has brought with it a higher level of overseas earnings.

Paul Cheeseright reports on Davy McKee's failure to win an Indian steel contract

Overseas projects policy suffers severe blow

TO THE LAST moment, British Ministers were involved in discussions to safeguard Davy McKee's position as the lead contractor for a £1.5bn steelworks in India. The refusal of the Indian Government to translate a Letter of Intent into a firm contract is a severe blow.

Much political prestige had been staked on winning that contract. Mrs Thatcher, the Prime Minister, has intervened. A visit to India by Prince Charles was not wholly unrelated to the chances of winning it. As Trade Secretary, Mr John Biffen had talks about it. In the last stages, Mr Peter Rees, the Minister for Trade, was involved.

This high level of political involvement was not surprising. The UK Government has laid great stress on building up the British presence in the international project contract field and to this end established, within the Department of Trade, a Projects and Export Policy Division.

This seeks to bring together the different elements of official support for British bidders—co-ordinating the activities of the Export Credits Guarantee Department with political support and the private sector companies involved.

The Division remains the visible manifestation of "UK Inc." And the greater flow of business over the last two years in the international projects field testifies to its success.

Government ministers have been fond of saying that in the 18 months to last February, £5bn of contracts worth over £10m each have been won. The value of buyer credits, the main financing vehicle for project business, at £3.6bn, granted between April and November last year was higher than for the whole of the 1980-81 financial year.

But the jewels in the policy were a £2bn power station contract won by GEC in Hong Kong and the apparent success of Davy McKee, part of the Davy Corporation, in winning acceptance as leader of an Anglo-French consortium for the Indian steelworks in Orissa.

The change in the Indian position and the relegation of Davy McKee to that of a potential equipment supplier is therefore a blow both to the Government and the policy it has adopted.

But the loss becomes more serious seen against the background of the restrictions placed by the Nigerian Government on its economic expansion and hence on the level of imports it is prepared to accept.

The effect of such losses on employment opportunities in the UK is uncertain, but had Davy's original plans in India gone through, it is calculated that the sub-contracts would have provided 50,000 man-years of work.

Indeed, it is the spin-off effect on industry as a whole that has been one of the reasons underpinning the Government's policy of winning a greater degree of collaboration with the private sector to win major project business.

In the early stages of the present Government, the policy was less marked. In fact, Mr Cecil Parkinson, when Minister for Trade, warned against the use of fancy financial packages to win contracts for companies

Such inhibitions seem to have disappeared. When he was Trade Secretary, Mr John Biffen argued that the use of official finance to back project bids was a more effective means of public spending than propping up lame duck companies. It succoured the strong.

This sort of attitude suggests that the final framing of a financial package for the Indian steelworks would not have been a major constraint had Davy and the Indian Government been able to agree on an equitable price for a revised plant plan.

May 15 was technically the last day for the signing of financial agreements carrying an export credits interest rate of 7.75 per cent—that being the minimum internationally agreed rate for credits on which there was a commitment made before last November.

But few in industry doubt that the Government would have found a way round the rules if necessary.

The reason for such aggression is clear. Project business is still available in industrialising countries at a time when UK markets in the developed world remain depressed.

Further, as the National Economic Development Council pointed out last year, "overseas projects arising mainly from the industrialisation of the developing countries offer one of the growth markets of the 1980s. Major projects help to establish a strong national presence on these countries, which can open the door to further opportunities for a wide range of industries."

The UK Government has been trying to help unlock the door to Indian opportunities, but Davy's setback emphasises that in the last resort there is only a limited amount official intervention can achieve.

Within 24 hours of Davy McKee failing to gain the steel contract, another British consortium, led by Northern Engineering Industries, was signing a contract for a turnkey project to build a £231.5m thermal power plant at Rihand, in Uttar Pradesh, writes K. K. Sharma from New Delhi.

Other members of the consortium are GEC Turbine Generators and Babcock and Moxey, part of Babcock International. NEI has the responsibility for the supply and commissioning of all the equipment at the 1,000 MW plant.

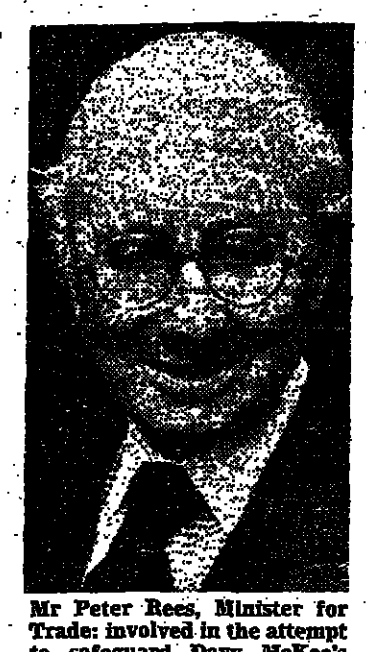
A further and related contract, for the development of the Amroli block of coal mines at Singranli, is under negotiation, but has not run into any difficulty. NEI is a coal mining equipment supplier as well as a power plant contractor.

The Indian Government has accepted UK Government offers to finance both the power station and the coal mine development to fuel it. So far there is an export credit, carrying an interest rate of 7.75 per cent, for £231.5m and UK aid commitments of £110m.

The aid is made up of a £50m grant and £60m of funds owed by India to the UK but not now to be repaid.

Further export credits for the mining side of the project are expected to be announced soon, but they will carry an interest rate of 10 per cent.

The contract is the biggest overseas won by NEI and is seen by the group as a breakthrough into the top league of international power station contractors.



Mr Peter Rees, Minister for Trade: involved in the attempt to safeguard Davy McKee's Indian steel plant plans.

World Economic Indicators

TRADE STATISTICS

		Mar. '82	Feb. '82	Jan. '82	Mar. '81
U.S. $bn	Exports	18.602	18.704	18.737	21.278
	Imports	20.349	19.090	22.829	21.029
	Balance	−1.747	−0.387	−4.092	−0.249
W. Germany DMbn	Exports	41.77	34.5	31.4	33.8
	Imports	35.36	30.8	30.3	33.9
	Balance	+6.41	+3.7	+1.1	−0.1
Italy Lirebn	Exports	8,932	7,585	7,761	5,250
	Imports	10,040	10,516	9,270	7,114
	Balance	−1,108	−2,931	−1,509	−1,864
France FFrbn	Exports	50.73	51.55	51.54	45.21
	Imports	55.18	56.83	58.59	48.81
	Balance	−4.45	−5.28	−7.05	−3.61
Japan $bn	Exports	12.140	10.246	14.242	13.727
	Imports	12.130	11.045	12.020	11.616
	Balance	+0.010	−0.799	+2.222	+2.111
		Feb. '82	Jan. '82	Dec. '81	Feb. '82
UK £bn	Exports	4.453	4.278	4.661	3.807
	Imports	4.279	4.410	4.326	3.473
	Balance	+0.174	−0.132	+0.335	+0.334
		Jan. '82	Dec. '81	Nov. '81	Jan. '81
Belgium BFrbn	Exports	153.981	192.410	179.376	142.580
	Imports	184.769	194.249	195.823	174.177
	Balance	−30.788	−1.839	−16.447	−31.597
		Dec. '81	Nov. '81	Oct. '81	Dec. '80
Netherlands Flbn	Exports	14.904	15.948	15.681	12.931
	Imports	14.435	14.237	14.781	14.108
	Balance	+0.469	+1.711	+0.900	−1.177

SHIPPING REPORT

Chinese look abroad

BY ANDREW FISHER

WHILE WORLD shipping and shipbuilding markets remain stuck in the doldrums, the Chinese are eagerly building up their contacts with foreign shipowners.

In line with China's gradual emergence as a minor force on the shipbuilding scene, the Shanghai Shipbuilding Corporation plans to deliver eight ships totalling 160,000 tons to owners around the world this year.

The official Xinhua news agency said these eight ships would be among 67 to be delivered by the company in 1982. It will also build oil rigs and supply ships.

So far this year, Shanghai Shipbuilding has signed deals with 19 companies in the U.S., France, Singapore and Hong Kong to export $2.8m of ship equipment.

Four U.S. companies are also discussing with the corporation the possible building of pleasure boats from glass fibre reinforced plastics with their blueprints, materials, and equipment.

Chinese shipbuilding companies, which have been preparing for a greater impact on world markets, have been successful in winning orders from such foreign owners as Wheelock Marden in Hong Kong. British Shipbuilders is also keen on building up an association with Chinese yards so that orders could be split between the UK and China.

For both the tanker and dry cargo markets, last week was again lacklustre. Denholm Coates said there was little reason for optimism in dry cargoes, though Russian harvest forecasts encouraged thoughts of substantial Soviet grain imports in 1982-83.

Financial Times Monday May 17 1982

Ministers ready to counter oil depletion calls

BY RAY DAFTER, ENERGY EDITOR

ENERGY MINISTERS are preparing to rebut any calls for North Sea oil-depletion measures which may come tomorrow from members of a Commons select committee.

Mr Nigel Lawson, Energy Secretary, and his ministerial team have no immediate plans to curb North Sea production though they have reviewed options for months.

Tomorrow the energy select committee is expected to publish a report on depletion policy. Almost certainly some members will say lack of measures stems from Treasury interest in raising oil revenue.

In the hearings members pressed those testifying to comment on whether depletion policies were led by the Energy Department or Treasury.

The debate is intensifying because the UK is producing more oil than it uses. Britain having last year reached self-sufficiency the production rate has risen to almost 1.9m barrels a day, 19 per cent more than consumption.

Although the industry expects little demand growth in the next few years, North Sea output is likely to grow. Energy Department forecasts say production next year could be between 1.8m b/d and 2.3m b/d, and by 1985 1.9m b/d to 2.6m b/d.

The UK is one of few oil-producers continuing to pump at maximum in face of surfeit. Unlike members of the Organisation of Petroleum Exporting Countries, however, the UK, and the British National Oil Corporation, opted to lower prices to maintain demand for crude.

The Government has said only that it will operate a flexible depletion policy. There was a ministerial suggestion that two field-development projects be delayed to slow down future production.

BNOC's Clyde Field was delayed by the Government for two years, more in Public Sector Borrowing Requirement interests than for depletion reasons.

The other, Phillips Petroleum's T Block complex, was shelved by the companies because of tax uncertainties, oil prices and production technology.

Oil industry executives say delay of the T Block and other fields, like Shell-Esso's Tern prospect and British Petroleum's Andrew find, is a reason not to impose controls.

They say that development delays and production problems are combining to form their own controls. For instance, Texaco hoped that by the end of this year its Tartan Field could have been yielding almost 90,000 b/d but because of reservoir problems average output will be 15,000 to 20,000 b/d only.

Latest industry estimates suggest that Britain's self-sufficiency period could be short-lived, anyway. Output from 26 fields in production or under development is expected to fall sharply in the late-1980s, to 1.8m to 2m b/d by 1990 and about 1.5m b/d by 1995.

Accountants challenge institute's structure

By John Moore, City Correspondent

A ROW is brewing among members of the Institute of Chartered Accountants over the institute's management and structure of government.

A group of members led by a manager of Thornton Baker, a leading accountancy firm, is planning to register its dissatisfaction at the annual meeting of the institute on June 8.

Ms Stella Fearnley, a manager with Thornton Baker, who is acting independently of her firm, says the institute's council has vested certain executive powers of policymaking and control of resources in its general purposes and finance committee.

But, she points out, the members and chairman of this executive body are not elected by the council, representing the membership.

The president's advisory committee consists of the president and all past presidents currently sitting on the council.

Ms Fearnley says: "The council members we elect have no effective control over the membership of their policy-making committee and the choice of president. It is worth noting that, over the past 16 years, eight presidents have come from four large firms, and only two from industry."

BR comes to those who wait . . . and wait

Hazel Duffy looks at the reopening of Watton-at-Stone Station—after 43 years

THE 6.23 from Watton-at-Stone to Moorgate this morning is the first train to have stopped at the village since September 1939.

The reopening of the rebuilt little brick station in the heart of the placid Hertfordshire countryside marks the culmination of a determined campaign by many of the 2,000 vilagers who managed to convince Hertfordshire County Council, the local district council and British Rail that they needed a station of their own.

Watton-at-Stone, midway between Stevenage and Hertford, is tiny compared with Milton Keynes, the new town in Buckinghamshire whose £16m marble and plate-glass railway station was opened by the Prince of Wales last Friday.

Mr Rowland Harman, divisional passenger manager of BR at Kings Cross, puts the final cost of Watton-at-Stone's new station at just £150,000. But for BR as well as the villagers the opening of any new station is good news, and it will be fielding Sir Peter Parker, BR chairman, at the official opening next month.

However hard BR's advertising tries to convince the public that this is the age of the train, the fact is that station closures in the past 20 years have been far more numerous than the opening of new stations or the reopening of old.

BR and the county council had already had discussions about reopening Watton-at-Stone, which is on a loop off the main electrified line between Letchworth Garden City and London, when, three years ago, the village's parish council decided to take the matter up for itself. A parish council survey passed to BR indicated that the village, with nearly three times the 700 inhabitants it had when the station was closed, could justify having trains stop there.

Mr John Green, a parish councillor, says BR was keen to go ahead. But it could not afford the rebuilding costs, although it agreed to staff the station. Undaunted, the parish council approached the County Council to suggest that it include the project in its Transport Policies and Programmes submission to the Government for grant for 1981-1982. At the same time the parish council agreed to levy a 1p rate, raising approximately £2,000 towards the cost.

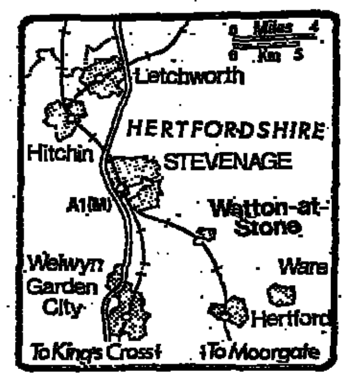
After much lobbying and another survey commissioned by the county council, BR was asked to raise its contribution to the project from its original offer of £10,000. In the event, the county, district and parish councils in the surrounding areas have come up with just over half the total £150,000 cost, including £3,000 in voluntary contributions.

The importance of access to a fast rail link for the villagers is easy to appreciate. Watton-at-Stone, dissected by the A602 (it is still hoping for its by-pass), has grown into a modest community where commuting to London, 30 miles away, is common.

Most commuters are now expected to use their own station instead of driving to Hertford North as they have been doing. Many families say they plan to sell their second cars, and for the less prosperous the comfort of a regular train service into Stevenage, the nearest big town, will far outweigh the present poor bus service. One mother with two young children explained that it has been taking her a whole morning to go to the dentist in Stevenage. It will now take only a couple of hours.

Some of the villagers are also canny enough to realise that a direct rail link to London can only add to property values.

The strongest impression gained in the village is a sense of pride. The station, built by a local contractor, is traditional in style. It can be operated by just one man.



Everybody has been working round the clock to compete the building operation, which includes reinstating a bridge, and building new platforms and overhead track lighting.

Everything should be spick and span for the official opening, although the problem of where to site the car park remains unsolved. At the moment there is a flourishing allotment just behind the station, which would be the ideal place for a car park, but development has yet to be agreed.

Watton-at-Stone merits one train an hour through the day, more frequently during rush hour. BR has agreed to consider stopping more trains if demand justifies it. In one little bit of Britain at least, 1982 will prove to be the age of the train.

Continental to expand Liverpool soya plant

By Lynton McLain

CONTINENTAL LONDON, part of Continental Grain, of New York, is to expand capacity at its soyabean plant on Merseyside by 50 per cent.

The first phase of the project is to increase capacity at the processing plant from the present 2,000 tonnes to 2,400 tonnes a day. Extra equipment is to be installed to bring this new capacity on stream by October 1. When it was built five years ago, capacity was only 1,500 tonnes daily.

The second phase involves boosting capacity to 3,000 tonnes a day. Engineering plans for this phase are nearly complete and the extra capacity is expected to be in use next year. The plant is situated near the Royal Seaforth Docks grain terminal.

Expansion of the company's processing in Liverpool will entail importing 900,000 tonnes of beans yearly compared with 500,000 tonnes at present used.

Soyabeans come mainly from the U.S. and Mr Ronald Anderson, senior vice-president and general manager of the world processing division of Continental Grain, said yesterday that the port of Liverpool had proved to be the ideal location.

Ministers to decide on local authority penalties

BY ROBIN PAULEY

MINISTERS meet today to decide what action to take against English local authorities which have budgeted to overshoot Government spending targets for 1982-83. Between them, the overspending councils are set to exceed the targets by £1.4bn.

The Treasury is pushing for new penalties of £500m to be imposed by the withholding of grant. This would result in a direct cut in spending because, once the Local Government Finance (No 2) Bill is on the statute book, local councils will no longer have the right to recoup the loss by levying a supplementary rate.

But a growing number of ministers is, apparently, leaning towards the view of Mr Michael Heseltine, Environment Secretary, who feels that no penalties should be imposed. This is because any grant reductions would hit all councils equally, not just the overspenders.

Local authority representatives will learn the outcome on Wednesday when they meet ministers at the Local Government Finance Consultative Council.

The £1.4bn is 7.7 per cent over Government targets and would have been £2.4bn or 13.2 per cent if the Government had not raised the target figure by £1bn when the annual rate support grant settlement was made last year.

English councils already stand to lose about £300m through existing grant reductions applied differentially because of the way they have missed their individual targets. But, to get the Local Government Bill through Parliament, Mr Heseltine had to agree to amendments which make it impossible to apply differential penalties after the start of the financial year.

Mr Heseltine, with influential support from senior ministers, is arguing that this would cause far more trouble than it is worth among thrifty Conservative councils, which would also be severely penalised while some overspenders would escape because they receive no grant. The Greater London Council Inner London Education Authority and the metropolitan counties, all Labour controlled and all Government targets for abolition, account for a third of the overshoot.

The extent to which Conservative councils have helped push the overspend to such a high level is also an embarrassment to the Government. Unpublished official figures show that 273 of England's 411 councils are planning to overspend. Of these 152 or 57 per cent are Tory-controlled and only 97 are Labour controlled.

Dockland report optimistic

BY ALAN FORREST

THE FIGHT to breathe new life into London's decaying docklands is taken a stage further by a report published today.

The report, prepared by two of the firms involved in the eight miles between Tower Bridge and Beckton and Royal Docks, says: "Whatever specticism investors may have had in the past, investment in the docklands by the Government is a fact. The area represents one of the prime investment areas in the 1980s and cannot be ignored."

The report's compilers, development consultants Nigel Moor and Associates, development consultants, and the Wigley Fox Partnership, architects, discuss the work of the London Docks Development Corporation, headed by Mr Nigel Broackes, chairman of Trafalgar House Investments.

Black economy 'declining'

BY ALAN FRIEDMAN

THE "black economy" is in a period of cyclical decline, according to the latest edition of Business Forecast, published quarterly by the Charterhouse Group.

The main reason the black economy is declining, says the report, is because the fall in consumer spending power has reduced the amount of money available for home improvements, a key source of demand.

Mr James Morrel, who prepared the report, said yesterday that as British consumers have less disposable income they become more selective about spending it.

The black economy had as powerful a business cycle as the official economy, he added, and there was evidence that it was now suffering as well. Mr Morrell said the flagging demand for bank notes, an essential ingredient in the black economy, was a further pointer to its decline.

PSBR undershoot likely

BY ALAN FRIEDMAN

THE 1982/83 public sector borrowing requirement (PSBR) may undershoot Government estimates by around £1.5bn, producing a level of £8bn, even after allowing for a substantial increase in defence expenditure and higher spending as a result of the Falklands crisis.

The May issue of James Capel's UK Economic Assessment says the main reasons for the undershoot will be a follow-through of about £2bn from 1981/82, about £500m of delayed taxes still to come through from last year's civil servant strike and an extra £1bn in income tax revenues.

Capel says the Chancellor should have about £1.5bn to "give away" in the current financial year if he wishes to stimulate the economy in the autumn and still stay within his £9.5bn 1982-83 PSBR target.

The report says destocking was still occurring in the first quarter and only very modest restocking can be expected in the second half of this year.

UK Economic Assessment, May, 1982, James Capel & Co.

Tour trade braced for last-minute bookings

By Arthur Sandles

BRITAIN'S tour operators and travel agents are bracing themselves for another spate of discount marketing and late booking as the peak summer holidays season arrives and many companies find themselves with unsold capacity.

The Falklands crisis may have contributed towards the present "flat" booking pattern. Anglo-Spanish relationships over the Falklands and UK participation in the World Cup soccer tournament in Spain are thought by some to be adding to the nervousness of the market.

In spite of substantial increases in capacity by some major operators, the overall package-tour market is at best stagnant and, some suggest, considerably diminished. Britain's biggest retail travel chain, Pickfords, recently suggested that summer market sales were down by 10 per cent.

Another worrying aspect for many is that customers are moving down market. "Changes in both the numbers of sales made and the unit costs are almost identical," says Mr Ron Plant, owner of the major London suburban chain, Plantravel. Allowing for inflation, this means a substantial reduction in real terms.

"People are buying fewer American holidays, for example, and there are more sales of tickets-only tours. This is very worrying for retailers who have seen their own costs rise."

The switch to late bookings by customers creates other problems for tour operators. "People who book at the last minute have far more complaints than those who book early," says Mr David Heard, chairman of tour operator Buddies.

Late bookers choose for price rather than product. They are often on holidays which are unsuitable and, as a result, complain.

● The Sheraton Skyline at London's Heathrow Airport has been named as the best airport hotel in the world by Fielding's Favorites, a U.S. counterpart of Michelin or Egon Ronay.

Fielding says: "This house is for the opulent traveller only. Here is the finest airport hotel we have ever seen in the world."

Good response to engineering grant scheme

BY TIM DICKSON

ENGINEERING companies have responded with unexpected enthusiasm to a new £20m Government grant scheme.

Department of Industry officials have been flooded with applications following the launch last month of the Small Engineering Firms Investment scheme, an initiative announced in the Budget, aimed at encouraging the machine tool industry to invest in up-to-date equipment.

The response so far is thought to have been greater than to any similar assistance in the past.

More than 700 companies have applied and it is understood that the £20m will soon be exhausted. The grants are awarded on a first-come-first-served basis.

Ministers are to decide whether more money can be allocated to the scheme, which officially is due to run until March 31 next year. An announcement is expected in the next few weeks.

Under the scheme—details of which were made available for the first time last month—engineering companies with fewer than 200 employees can apply for a capital grant of one-third of the costs of investment in certain types of advanced capital equipment.

Qualifying projects include stationary metal-working machine tools, either sequence-controlled or computer numerically controlled; non-robotic welding machinery; physico-chemical machine tools; metal-working machinery incorporating lasers or plasma; and metrology equipment.

Assistance is available on the purchase or lease of one or two machines, but with a minimum cost of £15,000 each. A project costing more than £200,000 is not eligible.

Department of Industry officials are still analysing the response in detail but it would appear at this stage that a wide range of companies is interested. Many seem to be located in the West Midlands and the South East, and on the basis of an early sample the average project for which help was sought was £50,000.

Letters of intent have already been sent by the department to some applicants but, because of Civil Service staff constraints, there may be "some delays" in processing others.

Grants are payable when the department receives a statement of expenditure by the company, corroboration from an independent accountant and a declaration by the applicant that the equipment has been delivered no later than March 31 1985, and has been installed.

The application form makes clear, however, that those "who place orders in anticipation of assistance do so at their own risk."

The response to the scheme will be welcomed by Mr John MacGregor, the Industry Department Minister with special responsibility for small firms, and the Engineering Industries Association, which lobbied the Government before the Budget.

"In view of the sluggish levels of investment by small engineering firms in advanced capital equipment in recent years, the swift take up is most encouraging and suggests that it has been well targeted," Mr MacGregor said.

Increase in imports of numerically controlled machines forecast

BY IAN RODGER

WEST GERMAN machine-tool makers are competing better than their British counterparts against imports of numerically controlled NC machines.

Studies of machine-tool markets by Planning Research and Systems, a London consulting group, suggests that imports of NC machines into West Germany will decline slightly from 37 per cent of total sales in 1980 to 33 per cent in 1985.

The forecast for Britain, however, is that importers of NC machines, mainly Japanese, will increase their share of sales from 66 per cent to 76 per cent.

This trend is even more pronounced in the categories of NC lathes and machining centres, in which Japanese producers have specialised so successfully in recent years.

Imports to the UK accounted for 69 per cent of the £55m sales of NC lathes in 1980, but are estimated to rise to 74 per cent of £58m in sales in 1985. The demand for machining centres in the UK is forecast to rise from £33.4m in 1980 to £67.2m in 1985, and the share of imports to grow from 61 per cent to 74 per cent.

In West Germany, however, where machine-tool makers have been adapting their products to meet the Japanese challenge, it is forecast that taking advantage of its greater the importers' share of the almost saturated market for NC lathes will drop from 30 per cent in 1980 to 25 per cent in 1985.

The West German machining centre market is expected to grow from £75m in 1980 to £120m in 1985, and the import share to rise from 31 per cent to 37 per cent.

NC tools still constitute a relatively small portion of total machine tool sales, accounting for just over a quarter in Germany and nearly a third in Britain, but they are the only ones for which the market is growing significantly.

The studies predict that the value of all machine tool sales in the UK will fall by 7 per cent between 1980 and 1985, although NC tool sales will rise by a third. Over the same period, the overall West German market is expected to grow by 11 per cent and NC tool sales by nearly 50 per cent.

Guinness Peat plans an unusual move in raw times

John Edwards on the changing commodity-trading scene

THE DISCUSSION of plans to hive off Guinness Peat group's commodity-trading interests, announced last week, is ironic. It comes when City financial institutions are taking more interest in commodity brokers on the eve of September's launch of the London financial futures market (Liffe).

The merger between Guinness Mahon and Lewis & Peat in 1973 was public recognition that commodity-trading increasingly has become a money game, in which changes in currencies' values and money itself are equally, sometimes more, important than fluctuations in prices and raw-material supplies.

Lewis & Peat is an old-established City commodity name. It traces its origins to 1775. It was incorporated as a public company in 1919 and is one of the few quoted commodity groups on the London Stock Exchange.

The merger with Guinness Mahon, merchant bank, initially was highly successful in expanding the whole group's activities and in providing financial aid and expertise.

Instead of being dominated by the banking side the commodity division flourished, taking advantage of its greater financial resources and the entrepreneurial drive of Lord Kissin, the then chairman, who is one of those who have expressed interest in forming a consortium to buy out the commodity interests. He made the most of the boom years in the commodity markets in the late-1970s.

The group became one of Europe's biggest commodity-traders, with a wide spread of interests. Lewis & Peat is best known for its world rubber-market lead role but it has diversified to many other raw materials.

The commodities division has subsidiaries in London and overseas dealing in many commodities. These include grains, animal feeds, vegetable oils, sugar, coffee, cocoa, metals and oil.

The group has seats on virtually all London commodity futures markets, usually under the Wilson, Smithett & Cope name, and is one of 29 ring-dealing London Metal Exchange members.

Its role as a broker, specialising in trade clients, was confined mainly to Europe until the end of the 1970s. Expansion to across the Atlantic was inevitable, in view of growing international competition from multi-national companies. The loss of nearly £10m in Chicago, however, made the experience unhappy.

In international terms Guinness Peat faced direct competition across the board from groups such as Phillip Bros, Cargill, Mitsui and Mitsubishi, as well as the London-quoted companies S. & W. Berisford and Gill & Duffus.

Present depressed conditions make it difficult if not impossible for any commodity trader to operate profitably or achieve a good enough return to satisfy shareholders.

High risk can bring high rewards in good times. It tends to be disliked by shareholders unless higher and higher profits continue. The best survivors today are multinationals with big resources or privately-owned partnerships not responsible to shareholders.

Insurance groups count cost of winter

BY ERIC SHORT

THREE OF the biggest UK insurance groups have reported pre-tax losses on their world-wide business for the first quarter of 1982 — Commercial Union £1.7m, Royal Insurance £3.5m and General Accident £11.1m.

Industrial companies may experience pre-tax losses during recession, but it is unusual for an established insurance company to do so, even during economic depression. The investment income earned on the cash flow and reserve — and a high proportion of the income comes from bond holdings — is usually more than enough to cover underwriting losses, the gap between premiums received and claims paid out.

These companies' underwriting losses have soraed in the quarter. CU's were up from £25m to £64m, GA's from £16m to £54m, and Royal's from £18m to £64m. Each company recorded a substantial rise in investment income: CU's rose 40 per cent to £54m, GA's by 21 per cent to £42m, and Royal's by 35 per cent to £55m. But this was not enough to cover the higher underwriting losses.

The market was expecting poor results for a variety of reasons but was taken by surprise at so dramatic a deterioration. The results from these companies have thrown into stark relief the problems currently facing UK insurance companies.

All three blamed their poor results almost entirely on the blizzards, floods and storms in Britain in December and January. They cost the CU and GA about £26m each, and the Royal £40m, in burst pipes, flooded houses and collapsing roofs.

This was far higher than indicated earlier this year when the companies reported their 1981 results. The overall costs of the bad weather to the UK insurance industry could be £300m. The British Insurance Association could have a final figure by the end of next month.

But providing insurance against bad weather is one of the reasons for insurance companies. They have, however, been competing keenly and have had to maintain or cut premium rates. Rates in commercial business have been reduced by 40 per cent or more.

This competition has been particularly intense since 1979 when two successive mild winters, in 1979-1980 and 1980-1981, enabled insurance companies to get by with rates which were totally inadequate. The consequences are now evident following last winter's storms.

But none of the three companies has any intention as yet of increasing its rates — certainly not premium rates for domestic household business. All were non-commital on local rates.

Although the UK accounts of these companies should return to pre-tax profit over the next six months, the trade outlook for UK business remains poor because of the keen competition. There will be a clearer picture later in the year when all insurance companies report their half-yearly results. Many companies do not report at the quarterly stage.

There is little doubt that insurance companies are gambling on mild weather next winter. A repeat of last winter's conditions could be disastrous for some of them.

U.S. business was also affected by the weather. Freak snowstorms hit the southern "sunshine" states where these three companies have been expanding recently.

The weather made the poor trading conditions of the U.S. worse and only partly accounted for the underwriting losses of the three companies. They doubled for CU and GA and tripled for Royal. U.S. business has been depressed for some years, with no signs of a recovery.

The one bright spot in the results was that underwriting losses in Canada and Australia seemed to have stopped rising. The Canadian account does not seem to suffer unduly from bad weather since snow and frost is the norm for winters there. The underwriting losses in both these countries, however, remain high and the three are now taking steps to cut out unprofitable business.

The problem facing insurance companies in times of severe competition and inadequate rates is that if they do nothing claim costs and underwriting losses increase. If they take corrective action they lose business which results in higher expenses and a cut in investment income growth.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	British Music Fair (01-730 2828) (until May 18)	NEC, Birmingham
Current	London Furniture Show (01-385 1200) (until May 19)	Earls Court
Current	International Contract Furnishing and Interior Design Exhibition—INTERIOR DESIGN INT (01-540 1101) (until May 20)	Olympia
May 18-21	International Exhibition and Conference for the Pharmaceutical, Cosmetics, Toiletry and Allied Industries—INTERPHEX (01-747 3131)	Met. Exbn. Hall, Brighton
May 19-20	Direct Marketing Fair (01-251 3546)	Kensington Exhibition Centre
May 19-21	Chelsea Flower Show (01-834 4333)	Royal Hospital, Chelsea
May 24-28	International Heating, Ventilating and Air Conditioning Exhibition EXPOCLIMA/HEVAC (021-705 6707)	NEC, Birmingham
May 24-31	World Wine Fair and Festival (0272 213381)	Bristol Exhibition Centre
May 25-28	International Word Processing Exhibition and Conference (01-405 6233)	Wembley Conference Centre
May 29-June 6	Manchester Motor Show (0602 51202)	Belle Vue
May 30-June 2	Consumer Electronics Trade Exbn. (01-486 1951)	Earls Court
June 1-4	International Wine and Spirit Trade Fair (021-705 6707)	Olympia
June 3-12	Fine Art and Antiques Fair (01-385 1200)	Olympia
June 6-9	"Times" and "Sunday Times" Business to Business Exhibition (01-729 0677)	Earls Court
June 7-11	Tunnelling '82 International Exhibition and Symposium (01-846 3471)	Brighton

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
May 18-22	International Clothing Machine Fair (01-409 0956)	Cologne
May 19-23	South East Asia's International Machine Tools Exhibition—MATEX (01-651 7688)	Singapore
May 25-27	Europe Software Exhibition (01-486 1951)	Utrecht
May 25-29	International Wine Exhibition (0727 63213)	Basle
May 30-June 4	National Textile Industry Trade Fair—FENIT (01-486 8656)	Sao Paulo
June 3-10	International Plastics and Rubber Exhibition (01-439 3964)	Paris
June 4-8	World Property Exhibition (01-581 2131)	Singapore
June 6-9	International Electrical Exhibition and Congress—INTELECT (01-222 0466)	Cairo
June 7-12	Posidonia International Shipping Exhibition (Athens 32.31.973)	Piraeus
June 10-15	International Agricultural Animal Husbandry and Horticultural Exhibition and Conference—ELMIA-LANTBRUK (0732 350457)	Jonkoping
June 13-18	International Medical Laboratory Exhibition (01-486 8730)	Amsterdam

BUSINESS AND MANAGEMENT CONFERENCES

Date	Title	Venue
May 17-21	Institute of Personnel Management: Selecting the right candidate (01-946 9100)	Whites Hotel, W2
May 19	The Filtration Society: Cost efficient filtration (01-686 6330)	Cora Hotel, WC1
May 20-21	McGraw Hill Conference Group: The Platt's 1982 Petrochemical Conference (New York (212) 997 4931)	Amsterdam
May 24-25	The Economist: Video Conference—Programming and Finance (01-670 5400) (part of International Video Week)	National Film Theatre
May 24-25	AMR International/Euromoney: Financial techniques (01-262 2732)	London Press Centre
May 27	CBI: Statutory sick pay and self certification (01-379 7400)	Centre Point, WC1
June 3-4	AMR/Euromoney: Euromarket Law and Documentation (01-262 2732)	London Press Centre
June 3	IPS: Computers—introducing purchasing systems (0990 23711)	Selfridge Hotel, W1
June 7-8	DIBC (UK): International Bank Operations and Systems—Issues for the future (01-788 5126)	City Conf. Centre, London
June 8	Oyez/IBC: The Petroleum Futures Market . . . one year on (01-242 2481)	Royal Garden Hotel, W8
June 9-10	FT Conference: World Electronics—The U.S., Japan and Europe: Competition or Collaboration? (01-621 1355)	Inter. Continental Hotel, W1
June 9	Energy Business Centre: Offshore Projects—Norway (01-439 0021)	Cafe Royal, W1
June 9	Welsweiler Adfos: Liffe begins in September (01-229 3244)	London
June 9-10	FT Conference: World Electronics—the U.S., Japan and Europe: Competition or Collaboration? (01-621 1355)	Inter. Continental Hotel, W1
June 9-11	ESOMAR: Classifying consumers—a need to rethink (Amsterdam 020 44.49.95)	Brugge
June 11	ESC: The Stock Exchange Listing Requirements—the Yellow Book (057282 2711)	Bowater Conf. Centre, SW1
June 12	The Textile Institute: Narrow Fabrics (061-834 8457)	Derby

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

UK NEWS—LABOUR

Union dues 'not high in real terms'

By Our Labour Editor

THE TUC, which is worried by the prospect of falling income, has produced figures showing that trade unionists have paid the same in real terms for union services in the past 10 years and much less than they paid in the 1930s.

Over the period 1970-80, unionists paid 0.3 per cent of their income on average in dues, compared with 1.5 per cent in the 1930s. The average contribution in 1980 was 33p a week or £17.16 a year.

The figures are based on returns from 87 unions affiliated to the TUC, accounting for 98 per cent of membership, on December 31, 1980. They show total income in that year standing at £221,401,771 compared with £192,609,077 in the previous year.

However, since 1980 most unions have been severely hit by the recession, losing up to 25 per cent of their membership. Union dues are rising sharply to compensate for the loss.

● The TUC has published a pack of materials for union activists in pursuit of the campaign against the Employment Bill. It concentrates on persuading employers not to use the legislation and on persuading employees not to co-operate with it.

In particular, workers are told not to participate in ballots on the closed shop

Esso contemplates payment revolution

Brian Groom looks at a radical plan to revise the tanker drivers' pay structure

ESSO'S three failed attempts to reach a productivity deal with tanker drivers and depot workers in the past two years has left it with archaic operating standards. Some local agreements do not even recognise the existence of motorways and include vehicle running speeds of 24-28 miles per hour.

The probability of strike threats over wages in the autumn pay round has increased as Esso drivers have seen the earnings of other companies' drivers rise because of successful productivity deals.

This uncertainty puts off customers in a market which relies on regular deliveries. Esso, like other companies, has lost money on refining and marketing operations in recent months. It needs to come up with measures which will give it some commercial advantage in a depressed market.

Workers have thrown out productivity offers for various reasons. Partly, the price was too low. It was clear to management that Esso was unlikely to reach a conventional deal at a price it felt it could afford.

Therefore, Esso has put forward an innovatory consultative package designed to alter payments systems radically, increase earnings and cut working hours, and build new higher productivity standards into its structure — motorway running speeds for instance would be 40 mph.

Most British manual workers, unless they are on piece-work or are paid for their hours of attendance. Esso distribution workers are no exception. They are paid a guaranteed basic weekly rate for 40 hours, with overtime paid at premium rates.

Esso felt that drivers' dependence on overtime to achieve high earnings encouraged inefficiency during normal hours. The previous conventional deals involved extra payments for achieving efficiency targets. These could be reduced if targets were not maintained.

However, the proposed new deal for the 950 drivers—which is still only an outline—would seek to guarantee higher work standards by making them the basis for calculating basic pay. Drivers would be rewarded for work completed rather than for hours of attendance.

The working week would comprise four basic duty periods of eight to 11 hours, varying according to workloads. There would be a fifth voluntary duty period, but beyond that Esso would use contractors.

Drivers would operate schedules, and would be paid for "schedule hours" calculated by agreed standards. That schedule-hour rate could be about £4.20, compared with the current base rate of £2.84, reflecting the built-in higher productivity requirement.

Items such as overtime, premium payments, holiday bonuses and long-service awards would no longer be paid. Unsocial hours payments would replace shift-pay.

Arrangement for the 750 plant operators and mechanics would be similar, but would retain a larger element of payments for attendance. The deals would be reviewed annually.

Shop stewards are due to meet the company, for further consultations on the plans, probably at the end of May. If there is a basis for negotiations Esso will draw up a formal offer. One possible difficulty is that the Transport and General Workers' Union might have problems assessing the proposed new system because it is not easily comparable with the old one.

On present thinking, drivers might get another £30 a week on total average earnings of under £180. However, the union might not consider this high enough.

Government urges use of volunteers in health dispute

BY OUR LABOUR EDITOR

A GOVERNMENT circular on the use of volunteers in hospitals during industrial action may receive its first test in the coming week.

The Government emphasised over the weekend that it would support health authorities which brought in volunteers to cover the effects of the campaign of disruption being organised by health unions in protest against the Government's refusal to increase a 4 per cent pay offer.

However, the use of volunteers would breach an agreement between the health unions and the voluntary organisations, which lays down that any other than normal voluntary activities —such as patient counselling, flower arranging and letter writing— would be regarded as strikebreaking, and could trigger an all-out strike.

Mr Norman Fowler, the Health Secretary, said at the weekend that he wanted to find "a new permanent system for determining pay rises, something entirely new that will avoid these confrontations and crises". He repeated that there was no further money available to increase the offer this year.

Apex backs economic assessment

By Our Labour Staff

THE ASSOCIATION of Professional Executive, Clerical and Computer staff yesterday became one of the first unions to back the idea of a national economic assessment covering incomes.

On NEC advice, its annual conference in Blackpool threw out a motion supporting the 1981 Trades Union Congress decision favouring free collective bargaining.

It backed the TUC Labour Party liaison committee's call for an agreement between unions and a future Labour government on allocating resources to public spending, investment and private consumption, and on the distribution of national income among profits, earnings, rents and benefits.

Mr Roy Grantham, general secretary, said: "When the next Labour Government expands the economy and creates employment in this way it would be folly to ignore the financial pressures that it will generate."

The conference also agreed to press ahead with amalgamation talks.

Apex is in financial trouble after redundancies caused a devastating loss of membership. Talks on a confederation are taking place with the General and Municipal Workers Union and the Electrical and Plumbing Trades Union.

APPOINTMENTS

Miller to become head of Engineering Council

Dr Kenneth Miller, managing director of APV Holdings, is to become the first director general of THE ENGINEERING COUNCIL and will take up the full-time appointment on July 1 1982. He was a member of the Committee for Industrial Technology from 1972 to 1976 and chairman of the Steering Committee for Manufacturing Advisory Service from 1977 until earlier this year.

★

Mr Roger Blackman, managing director, Surgical Equipment Supplies, has been elected president of the ASSOCIATION OF BRITISH STERILIZER MANUFACTURERS. Mr Keith Fazzani, marketing director, Astell Hearson and Mr Stuart Maycock, sales manager, British Sterilizer Company have been elected vice-president and secretary of the association.

★

THE ALLIED BREWERY TRADERS ASSOCIATION has appointed Mr Wilfred John Hipkins, executive chairman of Reddish Chemical Company and Reddish Detergents, its chairman from June 1. Currently vice-president of the Society of Dairy Technology, Mr Hipkins has served for many years on the regional committee of the CBI.

★

Mr D. L. Murison, executive chairman of the London board of the Bank of New South Wales, has been appointed chairman of the BRITISH OVERSEAS AND COMMONWEALTH BANKS' ASSOCIATION. The deputy chairman is Mr Max Luthert, an executive director of Lloyds Bank International.

★

the board of THE FOREIGN AND COLONIAL INVESTMENT TRUST. Sir John Pilcher has retired from the board.

Mr D. J. L. Fitzwilliams has resigned from the board of F. & C. MANAGEMENT, but remains a non-executive director of the The Foreign and Colonial Investment Trust, General Investors and Trustees and The Cardinal Investment Trust.

★

Mr Desmond J. Forshaw has been appointed treasurer of the ROYAL LIVER FRIENDLY SOCIETY. He succeeds Mr C. F. Johnston, who has retired.

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Mr O. N. Dawson and Mr A. H. Baring, both of whom are executive directors of F. & C. Management, have been appointed to

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Mr John Holland has been appointed managing director of THE SOUTHERN PUBLISHING COMPANY, publishers of the (Brighton) Evening Argus, Brighton & Hove Gazette, and the Leader. He succeeds the late Mr Frank Chadwick.

Mr Holland has been manager of The Southern Publishing Company, a division of Westminster Press, since 1979.

★

Mr David Northway has been appointed chief executive of HARE INDUSTRIES, Birmingham. He was managing director of BSA Sintered Components.

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Mr D. J. Horder has been appointed a director of HOWSON F. DEVITT & SONS, part of the Devitt Group.

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Mr James O'Neill (52) has been appointed to the newly-created post of marketing director with the CUMBERNAULD DEVELOPMENT CORPORATION with a wide-ranging remit for the attraction of employment and industry.

BUILDING AND CIVIL ENGINEERING

Hong Kong railway work for Marples Ridgway

MARPLES RIDGWAY, part of the Bath and Portland Group, has won a third contract for the Hong Kong mass transit railway. The contract, worth £13.7m, takes the total work awarded to Marples Ridgway to more than £26m.

The latest contract involves the major excavation and advanced site preparation for a new station at Causeway Bay East, which will form part of the "island line" section of the rapidly expanding mass transit underground railway network.

The island line will run for eight miles along the north shore of Hong Kong Island. The line is due to open in 1985-86 and expected to cost just under HK$11bn (£1bn). Work has already started and contracts worth an estimated HK$ 5bn have been awarded.

To assist with the funding of such a large project the Mass Transit Railway Corporation, backed by the Hong Kong government, is offering joint venture deals to local developers to provide new stations.

Under the terms of these deals, developers will be permitted to erect major commercial property developments on ground above the new stations. In return they will provide the station; the railway corporation will also take a share of any future development profits.

"The fact that station sites will also be expected to bear substantial commercial developments further complicates advance preparation and construction work in what are already difficult site conditions," says Mr Guy Cottam, technical services director at Marples Ridgway.

Much of the island line passes through reclaimed land and at Causeway Bay East the water table is only two metres below the surface. The station is to be built on seven levels, the lowest around 37 metres below ground level.

Excavation of the site and establishing seven floor levels will be complex. As a first step a diaphragm wall will be sunk to a depth of around 20 metres. This will keep the sides of the hole apart while Marples and Ridgway digs down to establish the upper first floor level.

This process of building from the top downwards will be repeated until firmer ground is reached at the fourth level. At this point the rest of the site will be excavated, leaving Marples Ridgway to establish the remaining floor levels: this time building from the bottom upwards.

Foundation caissons and reinforced concrete columns will need to be sunk before excavation of the upper floors can commence.

This is by far the most complex contract to be carried out by Marples Ridgway for the Mass Transit Corporation. The work, which started last week, is expected to take 33 months.

Previous contracts awarded to Marples Ridgeway involve the preparation of access tunnels for the construction of the island line. Work started last year.

ANDREW TAYLOR

Expanding business of refurbishment

THE GROWING importance of refurbishment and renovation work in the property and contracting fields, demonstrated over the last decade in otherwise depressing statistics from the construction industry, was emphasised again last week by the Miller Buckley Construction takeover of Benbow (Devon) Holdings.

MBC is the main trading arm of the Miller Buckley Group which, formed in 1961, now reckons to be one of the largest privately-owned contracting and property groups in the UK with a 1981 turnover of £60m. It estimates that the commercial refurbishment market as a whole has doubled in the past five years.

Over the same period, Miller Buckley's involvement in refurbishment has probably trebled, partly reflecting the 1970 acquisition of J. Parnell & Son, one of the great Victorian builders whose name is retained in Miller Buckley Parnell, the group's specialist refurbishment company.

In recent years the group has felt that it was still missing a particular string to its bow in the refurbishment business, which is where Benbow comes in.

Benbow is not a big acquisition. Its 1981 turnover was some £3m, compared with £22m for MBC and around £30m for the construction activities of the Miller Buckley Group as a whole last year. But it does have strategic implications.

Mr Bernard Reading, MBC's managing director, places Benbow Shopfitting, Benbow's principal trading company, "among the top companies in the first division of the shopfitting league."

MBC's workload recently has tended to split 60 per cent in industrial, and 40 per cent in commercial work. The industrial side is "not ordinary," says Mr Reading, talking about substantial contracts for the Property Services Agency — including telephone exchanges—and for the Ministry of Defence.

But on the commercial side, retailing work has not taken a significant part. Benbow's client list includes banks, building societies, retail groups such as Boots, Chelsea Girl and Debenhams, and embassies—most notably the American Embassy in London.

Shopfitting, says Mr David Benbow, the company's chairman and managing director, "is becoming more of a theatrical exercise; changing consumer fashions require retailers to present a new image to customers more frequently."

Previously, says Mr Benbow, investment in shopfitting had been made with an intended life of 10 to 15 years. "The investment now may be smaller in real terms," he says, "but frequency is the name of the game." The life of a shopfitting exercise, he estimates, is now down to five years "and a lot less in some cases."

Mr Reading also says that the property development scene in Britain's cities has changed, with greater emphasis on refurbishment and renovation rather than rebuilding—a trend which he expects to continue.

Taking soundings among property professionals like architects and major estate agents, he discerns the feeling that a diversified contractor will be more interesting to those who place refurbishment work in general and that Parnell—with a range of specialist craftsmen in joinery, metalwork and electrical services — should enable MBC to get a bigger share of the quality end of the market.

WILLIAM COCHRANE

Modernising Tube stations in London

THE SECOND contract to be awarded as part of London Transport's £60m programme to improve the appearance of the capital's underground railway stations has gone to Higgs and Hill.

A £5m management contract has been awarded to Higgs and Hill Building, to modernise station platforms at Oxford Circus, Bond Street and Tottenham Court Road. A further £1m is being spent separately on electrical and signals work.

The latest contract follows an earlier award of £3m of work to Enfield-based McLaughlin and Harvey for improvements to Charing Cross underground station.

Work on the Higgs and Hill contract which started earlier this month is due to be completed by October. It will be carried out at night to minimise disruption to passengers.

The whole programme of underground improvements is expected to take around 10 years to complete. The first phase of contracts totalling around £38m involves modernisation and improvements to 17 of the busiest central London stations, including Holborn and Kings Cross.

A further £15m is to be spent on improvements to 32 suburban stations presently regarded as being in a poor condition. Amounts spent on individual underground stations will range between £250,000 and £1m.

The remaining £7m is to be spent in amounts up to £250,000 on improvements to 92 stations. In total the scheme will involve improvements to 141 underground stations.

A.T.

UK CONTRACTS

A main stand — phase 1 of a £5m redevelopment programme for Manchester City Football Club — is to be built by the north west region of JOHN LAING CONSTRUCTION. Work on the £1m, 8,000 capacity, all-seat stand, which will be equipped with 32 luxury VIP boxes, has just begun and will be finished by August ready for next year's league and cup campaigns. The contract at Main Road involves removing the existing stand and erecting a new steelwork structure topped by grp roof units.

Biggest roof and wall job

Believed to be the most valuable roofing and cladding contract ever awarded in the UK, worth well over £5m, an order has been placed with RUBEROID CONTRACTS for the South of Scotland Electricity Board's AGR nuclear power station at Torness, near Dunbar, Lothian. The work comprises the supply and fixing of metal decking, thermal insulation and high performance built-up roofing to the station's flat roofed buildings and the installation of side wall cladding of specially coloured profiled aluminium sheeting.

The buildings include the main reactor building and turbine hall housing the station's two 660 Mw reactors, charge hall, fuel handling sections, etc. Roofing and cladding work is planned to commence on site in August of this year and will continue for two to three years. Main contractor is Sir Robert McAlpine and Sons.

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WILLETT has been awarded a £3.7m contract by A. Peachey and Co., a wholly-owned subsidiary of Peachey Property Corporation, to build an office block in Mansell Street, in the City. The seven-storey office building will have a total area of about 40,000 sq ft and will include a ground floor showroom and three flats together with some on-site car parking. The fully air-conditioned building will be open plan to provide maximum flexibility for prospective tenants. High quality finishes will be used throughout including a polished granite exterior. Work has begun with completion due in the autumn of 1983. Willett is a member of the UK building division of the Trafalgar House Group.

★

J. JARVIS & SONS has won seven contracts totalling over £5.6m in the south and north of England. Largest are at Brixton Prison where major alterations and a new extension are being carried out for the Home Office at a cost of £1.3m and in Catford a £1.2m British Telecom telephone service centre is under construction for the Property Services Agency.

★

FORD AND WESTON, Derby, has won a major housing contract, worth £3.7m, for carrying out the first phase of a municipal development at Radford East, Nottingham. Over 200 dwellings are being provided for Nottingham City Council on the 13.75 acre site, comprising three development areas. Work, to start shortly, will take two years to complete.

★

J. T. L. PARKINSON, Aberdeen, have contracts valued at £3.75m. Major award is a £3m contract for the provision of heating, ventilation and air conditioning systems for the Phase V development of the Shell UK Exploration and Production headquarters at Altens, Aberdeen. Main contractor is Geo. Wimpey. Other contracts include mechanical services for a new office building being developed in Aberdeen city centre by the Fred Olsen Group. Value of the contract, awarded by main contractor Doric Construction, is £350,000. In the Inverness area, the company has won contracts with a combined value of £500,000 for mechanical services for a Clydesdale Bank northern headquarters office; a school at Fraserburgh; and housing at Kingussie.

★

WIMPEY CONSTRUCTION UK has been awarded a £1.5m contract by the London Borough of Tower Hamlets to build 31 brick dwelling on the Highway, E1. Work, which has just started, is expected to be completed in April 1983.

★

A third contract on the Swinbrook housing estate North Kensington, has been awarded to JOHN MOWLEM AND CO. by the Royal Borough of Kensington and Chelsea. Worth £1.6m and called phase 2A, it involves building two four-storey terraced blocks containing a mixed development of 42 homes on the seven-acre site north of Westway. Work has just started and completion is due early in 1984.

★

CONSTRUCTION has started on a development of 70 flats for elderly and disabled people near the Paris Street roundabout in Exeter. The £1.5m project, awarded to C. S. WILLIAMS (TAUNTON) and designed by the Exeter office of MWT Architects, is being undertaken on behalf of the Devon Community Housing Society, and is being funded by the Housing Corporation. All the one-bedroom flats will be linked by a heated corridor to various common rooms and the resident wardens' accommodation. An alarm system will also be available to the tenants so that help can be summoned.

★

WIMPEY'S Middlesbrough office has won three contracts with a total value of £2m, all for work in the north east of England.

The company will build a £788,000 TA centre at Coulby Newham for the TA and VRA, which will have offices, messes, lecture rooms and a centrally situated drill hall.

Work for the Home Office is valued at £745,000, and comprises two house units at HM Borstal at Deerbolt, Barnard Castle.

The third job is for Langbaurgh Borough Council for 26 houses and bungalows at Lingdale with a value of £415,000.

EXPORT CONTRACTS

FIELDING & PLATT, Gloucester, a Redman Heenan International group company, has obtained orders for concrete moulding presses worth over £700,000 for delivery to the United Arab Emirates, Qatar and other Middle East countries. Six single-mould and three-mould presses have been ordered for making concrete kerbs and paving slabs using the Fielding wet mix process.

★

Dyform steel strand manufactured by BRIDON WIRE, Doncaster, will be used to support the longest cable-suspended roof in the world. Altogether 144 tons of 0.6 in diameter Dyform strand are being supplied to Genstar Structures to suspend the huge, saddle-shaped prestressed concrete roof of the Calgary Olympics Coliseum in Alberta, Canada. The building will house indoor events of the 1988 Winter Olympics. When the building is completed in December the roof, which is elliptical in planform, will be 441 ft long by 401 ft wide. At its highest point it will be 121 ft above ground and dip at its lowest to 55 ft.

Continental look underfoot

ACCORDING TO Marley Paving our roads, ports, industrial areas and pedestrian shopping centres will have a Continental look in the next few years because the demand for Interset concrete block paving is becoming more popular in the UK.

An integral part of the urban landscape in Holland and Germany, this type of paving withstands the rigours of trucks, cranes and other heavy machinery in industrial situations throughout Europe.

The blocks, usually in a herringbone design, look attractive and have captured the interest of planners and architects for a variety of town centre and other urban developments. They come in 100 mm x 200 mm, and Marley produces them in a choice of two shapes, seven different colours and two thicknesses (80 mm and 60 mm) suitable either for industrial or domestic use.

Marley says that the blocks are competitive in price with blacktop and other types of road building materials, are easy to lay and contribute to road safety—motorists leaving a fast main road and driving on to a surface of paving blocks hear a change in tyre noise and automatically slow down.

TELEVISION

Chris Dunkley: Tonight's Choice

Any television service worth its salt ought to produce a sizable proportion of programmes that are so good that they demand repeating. And the more television channels we get, the less likely you are to see a good programme first time round, so the greater need for repeats. Tonight brings two that are fully deserved: BBC 2 starts a re-run of The Hitchhiker's Guide to the Galaxy and ITV gives a second screening to Strike, Granada's account of the birth of Solidarity.

HHGG started life as an unusually original radio serial, and some of us doubted its chances as a television adaptation. But some of us were wrong. Though the small screen lacks that perfect fluidity in space and time, which radio provides for science fiction, it does have countervailing advantages. Andrew Howe-Davies rightly won an award for his design on the television version, the graphics are not only unusual but very funny and the sets, while not approaching the magnificence of those on, say, "Star Wars," are often fascinatingly inventive.

For the repeat of Strike Leslie Woodhead, in my view the best producer/director of drama documentary in Britain today (which probably means in the world) has added a new top and tail to take account of events in Poland since the first rushed and therefore unpublicised screening last Christmas.

BBC 1

6.40-7.55 am Open University (Ultra High Frequency only). 9.08-9.28 For Schools, Colleges. 10.00 You and Me. 10.15-12.05 pm For Schools, Colleges. 12.30 News After Noon. 1.00 Pebble Mill at One. 1.45 Pigeon Street. 2.01-2.40 For Schools, Colleges. 3.15 Songs of Praise from Furneux Pelham. 3.53 Regional News (except London). 3.55 Play School. 4.20 Cheggers Plays Pop. 4.45 Jana of the Jungle. 5.05 John Craven's Newsround. 5.10 Blue Peter.

5.40 News.

6.00 Regional News Magazines.

6.25 Nationwide.

6.55 Triangle.

7.20 Bret Maverick, starring James Garner.

8.10 Panorama.

9.00 News.

9.25 The Monday Film: "Shadow Of Chikara," starring Joe Don Baker and Sondra Locke.

11.00 The World of Golf.

11.28 News Headlines.

11.30 The Computer Programme.

BBC 2

6.40-7.55 am Open University.

11.00-11.25 Play School.

5.10 pm Nene and the '80s.

5.40 Souvenirs of Sidmouth.

6.00 Better Than New.

6.25 A Moment to Talk.

6.40 A Family Band.

7.10 News Summary.

7.15 The Changing Face of Parliamentary Democracy.

8.00 The Mathis Magic.

9.00 The Hitch-hiker's Guide to the Galaxy.

9.35 Human Brain.

10.25 Growing For Gold.

10.55-11.45 Newsnight.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Super Savers. 1.00 News, plus FT Index. 1.20 Thames News with Jane Corbin. 1.30 Van Der Valk. 2.30 The Chisholms. 4.15 Bugs Bunny. 4.20 The Sooty Show. 4.45 Smith and Goody. 5.15 Gambit.

5.45 News.

6.00 Thames News with Andrew Gardner and Tricia Ingrams.

6.25 Help! with Viv Taylor Gee.

6.35 Crossroads.

7.00 Nature Watch.

7.30 Coronation Street.

8.00 Union Castle.

8.30 World in Action.

9.00 Minder, starring Dennis Waterman and George Cole.

10.00 News.

10.45 Strike!

12.40 am Close: Sit Up and Listen with Michael Hordern.

† Indicates programme in black and white

All IBA Regions as London except at the following times:—

ANGLIA

1.20 pm Anglia News. 5.15 Diff'rent Strokes. 6.00 About Anglia. 6.30 Benson. 12.40 am Signs of the Seven.

BORDER

1.20 pm Border News. 6.00 Lookaround Monday. 6.15 Fashion Today. 6.30 Look Who's Talking. 10.45 Thriller: "Dial A Deadly Number." 12.00 Border News Summary.

CENTRAL

1.20 pm Central News. 6.00 Central News. 9.00 Hill Street Blues. 10.45 Left, Right and Centre. 11.25 Central News. 11.30 Barney Miller. 12.00 Come Close.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where, and Weather. 5.15 Emmerdale Farm. 6.00 Channel Report. 6.30 The Two of Us. 10.43 Channel Late News. 12.40 am News and Weather in French.

GRAMPIAN

9.25 am First Thing. 1.20 pm North News. 6.00 North Tonight. 6.35 Hands. 9.00 Hill Street Blues. 12.40 am North Headlines.

GRANADA

1.20 pm Granada Reports 1.30 Survival 2.00 Movie Memories. 6.00 Private Benjamin. 6.30 Granada Reports. 9.00 Quincy.

HTV

1.20 pm HTV News. 6.00 HTV News. 9.00 Hill Street Blues. 10.43 HTV News. HTV Cymru/Wales—As HTV West except: 12.00-12.10 pm Dacw Mam Yn Dwad. 4.15 Murphy's Mob. 4.45-5.15 Sêr. 6.00 Y Dydd. 6.30-7.00 Report Wales. 8.30-9.00 Yr Wythnos.

SCOTTISH

1.20 pm Scottish News. 6.00 Scotland Today. 6.40 Crime Desk. 12.45 am Late Call.

TSW

12.27 pm Gus Honeybun's Magic Birthdays. 1.20 TSW News Headlines. 5.15 Emmerdale Farm. 6.00 Today South-West. 6.30 The Two of Us. 10.47 TSW Late News. 12.45 am Postscript. 12.50 South-West Weather.

TVS

1.20 pm TVS News. 5.15 Watch This Space . . . That Monday Evening Feeling. 5.30 Coast To Coast. 6.00 Coast To Coast (continued). 6.30 Emmerdale Farm. 10.45 Best Sellers: Mr Horn (part 2). 12.30 am Company.

TYNE TEES

9.20 am The Good Word. 9.25 North-East News. 1.20 pm North-East News. 5.15 The New Fred and Barney Show. 6.00 North-East News. 6.02 Gambit. 6.30 Northern Life. 9.00 Hill Street Blues. 11.00 Lou Grant. 12.25 am Let's Celebrate Ascension Day.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 That Monday Evening Feeling. 5.30 Good Evening Ulster. 6.00 Good Evening Ulster. 6.30 Square One. 10.29 Ulster Weather. 10.45 Church Report. 11.15 A New Kind of Family. 11.45 News at Bedtime.

YORKSHIRE

1.20 pm Calendar News. 6.00 Calendar (Emley Moor and Belmont editions). 6.30 Calendar Countdown.

RADIO

(S) Stereophonic broadcast (when broadcast on VHF)

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.30 Dave Lee Travis. 2.00 pm Steve Wright. 4.30 Peter Powell. 7.00 Stayin' Alive. 8.00 David Jensen. 10.00-12.00 John Peel (S).

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 pm Ed Stewart (S). 4.00 David Hamilton (S). 5.45 News; Sport. 6.00 John Dunn (S). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with the Best of Jazz (S). 9.55 Sports Desk. 10.00 Monday Movie Quiz with Ray Moore. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with Round Midnight ((S) from midnight). 1.00 am Encore (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Schubert (S). 10.00 Kenneth Leighton (S). 10.40 Viola and Piano recital (S). 11.20 Bruckner: Symphony No. 7 (S). 12.30 pm Schumann piano recital (S). 1.00 News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly For Pleasure (S). 7.00 Crowded Hours. 7.40 BBC Northern Symphony Orchestra concert: part 1(S). 8.40 The Country of the Pointed Firs. 9.00 BBC Northern Symphony Orchestra: part 2 (S). 9.45 Brahms chamber music recital (S). 10.25 The Honeywood File by H. B. Creswell dramatised in three parts. 10.30 Jazz in Britain, featuring Talisker (S). 11.00 News. 11.05-11.15 A Lullaby By Byrd (S).

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.43 Miles Kingston with recordings from the BBC Sound Archives. 8.57 Weather, travel. 9.00 News. 9.05 Start the Week with Richard Baker (S). 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News, travel. 11.03 Down Your Way visits Beaumaris in the Isle of Anglesey. 11.48 Poetry Please. 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh with Les Dawson. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News 3.02 Afternoon Theatre 4.30 In the Family. 4.40 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather, programme news. 6.00 News, including Financial Report. 6.30 I'm Sorry, I Haven't a Clue (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S). 8.00 The Monday Play. 9.30 Kaleidoscope: Australia—a Literary Landscape? 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

THE WEEK IN THE COURTS

Uncertainty over accused's assets

BY JUSTINIAN

DO THE COURTS have any power to seize a suspected criminal's property, or to order the freezing of his bank accounts, in anticipation that any or some of his assets may subsequently on conviction be the subject of compensation or forfeiture orders? This is a question of increasing interest to those who are keen to help ensure that the fruits of crime are not spirited away by criminals, but remain available to compensate the victims of crime.

Four years ago, the Court of Appeal gave a resoundingly negative answer to the proposition that there was any power to interfere with a person's property, even for a time, for the purpose of punishing him in advance of his conviction by forfeiture or of compensating the victim of his wrongdoing.

Lord Justice Stephenson in Malone v. Metropolitan Police Commissioner* said the argument in favour of such a proposition had nothing to commend it but its audacity—not even counsel for the Commissioner "could make it viable." If such powers were required for the protection of the public against crime it was for Parliament, not the courts, to grant them.

It is probably only the renowned judicial audacity of Lord Denning, aided and abetted to a limited extent by Lord Justice Donaldson, that could pre-empt parliamentary action by providing the police with power to freeze the bank accounts of a person awaiting trial on charges of forgery and obtaining money by deception on forged instruments.

In Chief Constable of Kent v. V and another† 10 days ago, the Malone decision appears either not to have been quoted or to have been ignored, although there was a wholly persuasive dissenting judgment from Lord Justice Slade. It is obviously a serious matter to prevent a person using his property before he has been convicted.

In the last couple of years, the civil courts have begun to develop the power to freeze the bank accounts of persons against whom are claimed to have wrongfully deprived others of their property. But unlike claimants seeking to recover their property, the police have no proprietary right to a suspected person's property. The police merely have a power to investigate crime, to detain any property they may have seized for the purposes of adducing it in evidence at any trial, and to prosecute the offender in the criminal courts.

Whatever rights the victims of crime have must be exercised in the civil courts, or in the criminal courts after the offender's conviction.

The civil courts' powers are limited in other respects. They are available only where there is a fear that the defendant will move his assets out of the jurisdiction, an ability that has been greatly facilitated since the ending of exchange control in 1979.

In October 1981, the accused in the Chief Constable of Kent case was alleged to have got hold of two or three of a woman's cheque books, and to have drawn on her account every few days for £800 or £900 for three months. In all, he was alleged to have drawn 21 cheques amounting to £16,001.

These monies were paid, it was claimed, into the accused's account with the Bank of Credit and Commercial International, through different branches. He had also paid in other sums of money alleged to have been obtained from other persons, and he had drawn upon the accounts from time to time for his own purposes. All the moneys were mixed so that it was impossible to disentangle their sources.

Early this year, the accused man was arrested. A few days later, the chief constable, thinking that the accused might continue to draw on the accounts and that the moneys would be dissipated by the time the case came on for trial, issued a writ and applied to the court for an injunction pending the hearing of the action to restrain him from withdrawing any further amounts.

The Court of Appeal heard counsel for the chief constable and counsel for the Attorney-General as an amicus curiae. The accused was not present before the court, and was not legally represented, as the accused in the Malone case had been.

Some judicial ingenuity was clearly required to circumvent the long line of cases—even before the decision in Malone's case—that indicated that the courts had no power to restrain the disposal of a man's property at the instance of a prosecuting authority. Lord Denning purported to find it in a section in the Supreme Court Act 1981; which came into force on January 1, 1982.

Section 37(1) provides that "the High Court may by order (whether interlocutory or final) grant an injunction in all cases in which it appears to the court to be just and convenient to do so."

It would be "a mockery of the law" if the fraudsman could always evade an order of compensation or restitution by disposing of goods or money pending his trial.

In the Malone case, Lord Justice Roskill (now Lord Roskill, a Law Lord) thought the argument for extending the court's powers was impossible: "Compensation orders, restitution orders and forfeiture orders are, in their modern form, the creation of modern statutes. Before those creations the common law could not and did not justify the retention of such moneys for use for purposes which did not then exist. To extend the common law to justify what Parliament has not empowered is to write into the statutes that which has not been included in them."

The courts' powers to order forfeiture generally are in any event extremely limited. In 1980, in a case sometimes referred to as the "Operation Julie" case after the name given by the police to their investigation, it was held by the House of Lords that there is no power to deprive defendants on conviction of their profits from the illegal manufacture and sale of prohibited drugs.‡ Such a power does, however, exist when there is an identifiable victim of stolen property or property obtained by deception, as in the Chief Constable of Kent case.

Following the substantial public dismay at the inability of the courts to strip criminals of ill-gotten gains, the Howard League for Penal Reform in June, 1980, set up a high-powered committee, under the chairmanship of Mr Justice Hodgson, to consider the present law relating to the confiscation of the fruits of crime and to study ways in which the law can effectively lay its hands on the profits of crime before the offender is able to put them out of reach of the authorities. It will report next year.

Meanwhile, it would be better if the present powers of the courts were clarified. The recent departure from precedent by the Court of Appeal serves only to confuse rather than to advance the cause of offender-redress in the criminal law.

* [1980] Q.B. 49.
† Times Law Report, May 14, 1982.
‡ [1981] A.C. 470.

RACING

BY DOMINIC WIGAN

A GAP appeared in the nick of time for Persepolis and Lester Piggott towards the finish of the £45,000 Prix Lupin at Longchamp yesterday and the grey Kalamoun colt swept through to win for Stavros Niarchos.

Persepolis is clearly a top-class colt and it is worth noting he remains one of 30 acceptors for the Derby at Epsom on June 2.

Second at Longchamp yesterday, two and a half lengths behind the winner was Alfred's Choice, another Group One triumph for Zino's handler, Maurice Zilber. Alfred's Choice is a particularly handsome colt by So Blessed out of Scamperdale.

● There is no such thing as an indispensable racing book (whatever the claims of Timeform), but one reference work which can claim to come closer than most to this description for the serious backer is Trainers' Record.

The tenth edition of this book has recently been published containing its usual wealth of detail. A complete analysis of trainers' performances last year plus a direct commentary based on efforts over the past 10 seasons, often gives the backer an entirely different and improved angle on betting than he might have had in the past.

Trainers' Record contains the details of the winners and runners for every trainer at every course in 1981 plus a table of the top 10 at every track based on five years' results. Here, for example, we find that Dick Hern had seven winners from only 12 runners at Haydock last year, while 59 per cent of Henry Cecil's runners at Wolverhampton in the 1977-81 period have won.

WOLVERHAMPTON
3.00—Morgan's Choice**

PONTEFRACT
2.45—Student Venture***

TECHNOLOGY

EDITED BY ALAN CANE

Euro-study looks to solar cells for future power

BY MARK NEWHAM in Italy

BY THE END of the century European manufacturers of solar photovoltaic cells will be making enough cells each year to generate 1,000 megawatts of electricity a year according to a solar eelctricity study* soon to be published by the EEC commission. This is equivalent to the output of an average-sized nuclear power station.

The results of the study were announced at the EEC's photovoltaics conference held last week in Stresa, Italy, by Mike Starr of British engineering consultants, Sir William Halcrow, which pieced together the study for the commission. He Europe would have 200,000 megawatts of photovoltaic power plant installed generating 10 per cent of Europe's electricity.

But the 600 delegates from 30 countries were warned by Mr Starr that the EEC's projections would be achieved only as long as the photovoltaics industry continued to receive substantial support from governments and other public agencies such as support from governments and other public agencies such as the Commission. Without this support, he said, photovoltaic cell and module production will fall well below the levels published in the study.

So far, governments, public agencies and private companies world-wide have spent about $1bn on photovoltaic research, development and demonstration, Mr Starr calculates. This level of investment, he said, must be continued and, if possible, increased substantially to allow researchers, manufacturers and companies to imporve the technologies involed, reduce costs and find markets for their products.

Some public bodies have already allocated large amounts of money to the sector. The Commission, for example, has allocated about $30m on photovoltaics and is considering a major increase in its next three-year budget.

Italy has also recognised the immense potential of renewable energies in general and photovoltaics in particular. It has granted its newly-created alternative energy agency, Ente Nazionale Energie Alternative (Enealin) a budget of L3bn for renewable energy in the 1982 to 1984 period, 20 per cent of which will fund photovoltaics work.

Italy said Mr Starr was a prime candidate for a thriving photovoltaics industry. Not only did it have public bodies willing to sink large amounts of capital into photovoltaics, but it also had a sunny climate and about 70,000 houses in remote areas not connected to electricity grids. Electricity, presently supplied in these areas by small diesel generators, costs up to 50 cents a kilowatt hour—more than the cost of electricity from some present-day photovoltaic generators.

Multi-facet

Photovoltaic system costs are gradually declining and as long as financial support levels are maintained, Mr Starr saw no reason why costs could not be reduced to about $5 per peak Watt by 1990 and further to between $1.6 and $3.5 per peak Watt by the end of the century.

At these system prices, the study arrives at the conclusion that by 1995 about 100,000 photovoltaic units in the 50 Watt capacity range for small scale consumer uses will be installed annually through Europe. Similar-sized systems for navigational aids, telecommunications and cathodic protection will reach an annual installation rate of 50,000 units. Installations in this small-scale, stand-alone system sector will be in the order of 12 megawatts a year by 1995.

In the larger stand-alone system sector, with systems averaging about 5 kilowatts substituting for small diesel sets, by 1990 about 4,000 units will be installed each year rising to 8,000 by 1995. The 1995 annual installation rate, therefore, will be in the order of 40 megawatts.

In both these sectors, however, market penetration will peak at these levels and annual installation rates will level off, Mr Starr believes.

This will not be the case with large-scale grid-connected and industrial and central power station photovoltaic systems. Mr Starr thinks that only from 1995 onwards will photovoltaics begin to penetrate these sectors and that by the year 2000 grid-connected residential systems up to 25 kilowatts output will be being installed at the rate of 800 megawatts a year. This will rise to 2,000 megawatts a year by 2025.

In the industrial sector where systems averaging 100 kilowatts each will be installed, Mr Starr calculates that 1,000 Mw of photovoltaics will have been installed by the turn of the century.

Central power stations will need substantially larger photovoltaic capacities in the 200 Mw range and calculations show that by 2025 about 50,000 Mw of photovoltaics will have been installed for central power generation. The bulk of this installation will take place from 2000 onwards.

Taking a base installation rate of one megawatt expected next year, these levels of installation represent an annual growth rate of about 50 per cent resulting in a 1,000 megawatt a year intallation rate by the end of the century. If the rate continues unchecked into the first quarter of the 21st centry, Europe will have about 200,000 megawatts of photovoltaics installed by the year 2025 generating 10 per cent of the European community's electricity.

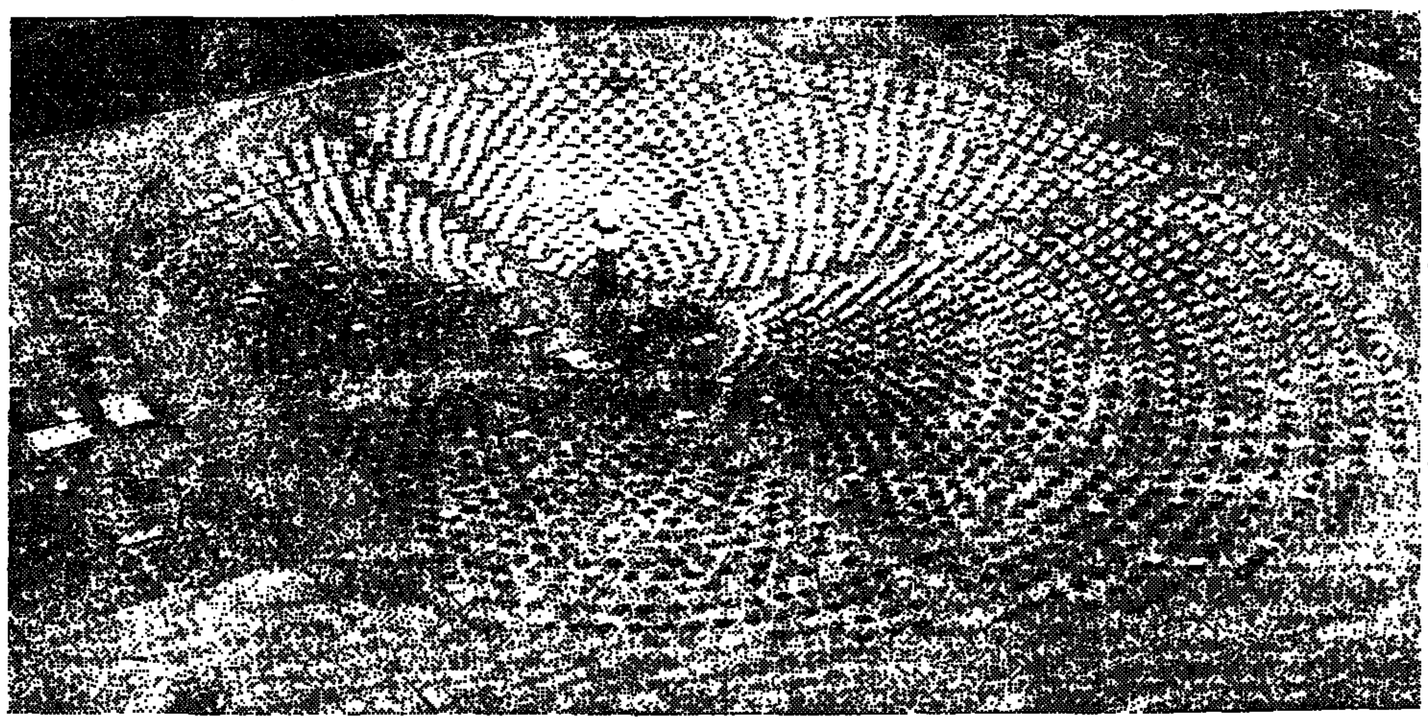
In a world context, since the market for photovoltaics throughout the rest of the world is several times larger than the European market, Mr Starr's study predicts annual world sales of photovoltaics at $5bn to $10bn by the year 2000.

In an effort to ensure that the European photovoltaics industry is ready to cope with this expected surge in demand, the EEC Commission started a programme last year to demonstrate the large-scale use of photovoltaic systems. Originally, it planned to part-fund the construction of 19 photovoltaic generators with a total capacity of 1.3 Mw with at least one generator in each of the 10 member states.

Political, technical and financial problems have forced the Commission to cut back on the programme and the latest alterations to the programme mean that now 17 generators will be built in nine of the ten EEC countries. Denmark is the only country not included in the programme. First of the 17 is expected on line on Crete next month and the remaining projects will be completed by June next year.

In spite of early difficulties, the Commission is confident that the generators will be forerunners of hundreds of 100 kw-plus sized generators likely to spring up all over Europe once the early models have proved themselves.

Photovoltaic Power for Europe—will be published for the Commission later this year by D. Reidel Publishing, PO Box 17, 3300 AA Dordrecht, Netherlands, and 190, Old Derby Street, Hinghan, MA 02043, U.S.



This is Solar One the McDonnell Douglas station in the Mojave desert. More than 1800 heliostats reflect the sun's rays to the central receiver. The heat converts water to superheated steam which drives a turbogenerator able to generate up to 10 megawatts of electricity. The company believes that experience gained with this plant may lead to a wide variety of solar plants in the U.S.

New piston can reduce friction losses by up to 14%

AE GROUP of Rugby has introduced the AEconoguide piston, a new design which, it is claimed, reduces piston/cylinder friction by up to 14 per cent.

The development is important because the piston assembly accounts for about 30 per cent of all the frictional losses in a petrol or diesel engine.

In the new design the normal full contact area of the skirt profile on the thrust and non-thrust faces is replaced with small individual contact areas or pads.

These pads, which are 0.025 mm proud of the skirt, are produced by machining the piston on equipment designed and developed by AE and unique to the company.

The effect of the pads is to reduce the total contact area of the piston skirt by a least 75 per cent while ensuring that both contact area and stiffness remain constant over a wide range of loads and temperatures. The pads have shallow angle ramps round them which improve lubrication and reduce any tendency to scuff.

Reduction of friction by 14 per cent has resulted in a drop in fuel consumption of four per cent and an increase in power output by five per cent.

GEOFFREY CHARLISH

Ford's integrated package

AN INTEGRATED solar energy package suitable for small communities but which can be connected to the electrical grid has been developed by Ford Aerospace and Communications, under contract to NASA/JPL.

Based upon a 36 ft diameter parabolic dish reflector with a heat-to-electrical energy converter mounted at the focus, the unit has been successfully tested at up to 20 kW output.

The tests, carried out at Edwards Airforce Base in the Mojave Desert, incorporated an automatic computer-based plant control system and associated power conditioning equipment to permit operation on an electric utility grid.

Consumer use

The concentrated heat at the focus of the dish drives a Rankine cycle engine-generator the output of which is then converted into normal "mains" voltage and current. The present mirror is multi-faceted but future testing will employ a more cost-effective mass-producible concentrator.

A small community might use a number of the modules, electrically connected to produce virtually any desired power level.

According to Ford, the mass produce plant "can provide electricity at lower cost than new fossil-fuelled plants over the next 10 years and beyond."

Nixdorf goes for UK technology

BY ALAN CANE

NIXDORF, viewed by many as the most successful indigenous computer manufacturer in Western Europe, is to base its office automation strategy on UK technology.

It is believed to have cancelled most of its in-house electronic office developments in favour of systems built on Office Technology's Information Management Processor.

Office Technology (OTL) is part of the Information Technology (ITL) group which includes Computer Technology and Networking Technology.

OTL has concluded a formal agreement with Nixdorf which gives the West German company access to OTC's technology.

Under the agreement, Nixdorf will take delivery of IMP systems from OTL and will be developing its own products based on the IMP concept.

OTL will get royalties on the worldwide sales by Nixdorf of IMP based products—it will also have some access to Nixdorf technology.

According to the consultancy IDC Europa, Nixdorf is the third largest supplier of small business systems in Western Europe behind IBM and Olivetti; IDC believes its success is due to its policy of attacking specific market sectors.

Mr R. J. "Spud" Taylor, OTL managing director, said this week that Nixdorf was without doubt the best high technology partner he could have hoped for. "When we set up OTL I shortlisted three companies I would have liked for a partner. Nixdorf was top of that list."

The OTL system is advanced in two ways. It integrates voice in a novel manner—executives can annotate documents with spoken comments—and a great deal of attention was paid to the ergonomics of the machine.

Mr Bob Remington, the only American member of the OTL team was an industrial psychologist with IBM at Hursley Park.

In a market which is becoming increasingly competitive and where technology counts less than marketing, the OTL system has won general acclaim. Some 20 systems have already been shipped to customers such as British Rail and BL Systems.

The company is just beginning to make use of the UK software industry to write the programs which will be needed to support the system as it expands.

A tender for a document handling package, OTL's first outside software contract will be awarded this week. OTL is on 0962 65353.

Comad aid for fighter pilots

IMAGINE there was a black box in your car which could tell you the way to your destination regardless of the weather conditions.

Such a system does exist but is used by fighter pilots and its design won the Scottish group of Ferranti its Queen's award.

The system is called Comad which stands for Combined Electronic Map and Display. On a tiny four inch television screen on in the pilot's cockpit, is presented a map of the aircraft's route.

Individual maps are stored on 35mm film strips which can either give general or very close details.

The clever part of the system is that it is linked into the navigational system so that the pilot can see his position exactly on the screen and how it deviates from his charted course.

Emergencies

It can also be connected to other sensors such as the radar system which is part of the weapon aiming system. The pilot can also put information into the computer system such as the location of enemy aircraft.

In emergencies, such as a fire, the pilot can press a button and the drill procedure replaces the map on the screen. It can even provide details of aircraft landing strips to help the pilot cope with unfamiliar airports.

Comad is already used in the U.S. Airforce's F18 fighters which amounts to several hundred systems and was recently selected for the Indian Airforces' Jaguars. At the moment Britain's Jaguars do not use the system.

ELAINE WILLIAMS

Swansea Bay

The past two years have been a period of pain and sacrifice in Swansea. Numerous companies have contracted, and the jobless figure has doubled to reach 33,000—more than 16 per cent. Now there are hopes that the drastic pruning may be paying off.

Steel contract boosts revival hopes

LAST MONTH the British Steel Corporation's Port Talbot steelworks won an export order for the delivery of 75,000 tonnes of steel ingots to Kaiser Steel in California. Not only was the contract secured against international competition, including Japanese steel producers, but, more impressive still, it was won at a price which BSC insist will still leave the corporation with some profit.

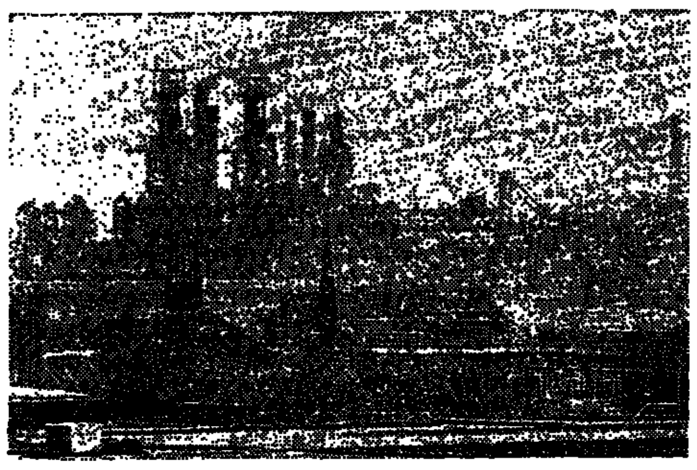
This is the kind of news which is important not only for the Port Talbot works but for the whole Swansea Bay area. Over the past two and a half years, industry and commerce in the string of urban communities which stretch in an almost continuous arc from Port Talbot in the east to Llanelli in the west, have been fighting for survival.

Port Talbot steelworks has shed more than 7,000 of its 12,000-plus workforce under BSC's survival plans. The Kaiser contract provides tangible evidence that the pain and sacrifices which have been called for over this period may at last be paying off. Port Talbot is now sufficiently tightly manned to take on Japanese steel producers on their Pacific doorstep.

Very shortly too, Port Talbot's £100m investment in continuous casting of steel will come on stream, one of a number of investments maintained despite the recession. This should give the works an added policy edge.

It will also benefit the still sizeable number of enterprises and jobs in the Swansea Bay area which continue to be dependent upon local steel production.

Tin plate is one. BSC's Velindre works, near Swansea, came very near to closure as the corporation struggled to reduce its losses and cope with poor tin plate demand. But then the plant gained a reprieve. A supply of competitively priced top quality sheet steel will help secure the future of Velindre and that of its sister plant Trostere, near Llanelli and Metal Box, at Neath.



Port Talbot steelworks—now sufficiently tightly manned to take on the Japanese in the American market

Management and unions alike are hoping the same story will be repeated in many other companies in the area which have weathered the recession only by introducing drastic redundancies and other cost-cutting measures. British Aluminium was forced to close its Rheola Mill. But Alcoa, for example, which at one stage was threatening to cut its aluminium mill, is now reported with slimline manning to be holding its order book.

International Nickel decided to mothball capacity at its Clydach refinery only a few weeks ago and introduce more redundancies because of poor European demand for nickel products. And even IMI Titanium, a company not normally affected by recession, felt the need to trim its labour force. BP, which has two major petrochemical complexes at Llandarcy and Baglan Bay, has also been gradually reducing its manning.

At the same time major investment has been taking place in some key companies. Ford's Swansea factory, which makes transmissions and gearboxes for a number of the group's vehicles, shed some 400 workers last year but is now investing £65m to improve the plant's operating efficiency.

Expansion

The U.S.-owned 3M Group has embarked on a major expansion and has invested £11m to meet the booming demand for video cassettes from its Gorseinon factory — currently the only video tape manufacturing facility in the UK.

Cam Gears at Resolven is also investing to meet the requirements of a major new long-term contract for steering components, again won against Japanese competition.

For all these hopeful signs it is also clear, and gradually being taken on board by local politicians and industrial leaders, that traditional major industrial employers in the Swansea Bay region are not going to soak up current levels of unemployment.

In two years, the absolute number and percentage of jobless has more than doubled to over 33,000 or just over 16 per cent giving it virtually the same unemployment level in Wales as a whole and some 4 per cent above the British average.

That said, much is being done to tackle the problem.

The Welsh Development Agency has been particularly active, with a crash programme of industrial estate development and advance factory building at sites right around Swansea Bay.

Well over 500,000 sq ft of space is either completed, under construction or in the pipeline. In addition, there is another 2m sq ft of vacant factory space in private hands waiting new tenants. The figure includes the exceptionally large 600,000 sq ft premises of British Aluminium at Rheola.

BSC (Industry), building on the success of its job creation initiatives elsewhere, last month announced the opening of a new workshops complex for fledgling businesses in Port Talbot. The workshops will cost £500,000 and provide sufficient space for 48 small businesses and up to 200 new jobs.

Swansea City Council in its turn, has seized the opportunity presented by designation of the lower Swansea valley as an Enterprise Zone with both hands. It received the Government go-ahead last June and has been attracting companies into the zone at an average rate of two a week.

The council has also backed a number of imaginative schemes for encouraging new local businesses promoted by the city's own centre for trade and industry.

The city itself has a lot to gain from strengthening its role as the regional capital of south west Wales. Swansea's shopping facilities have been greatly improved over the past three years by the Quadrant Retail Centre and this month has seen the completion of the 140,000 sq ft St David's Square shopping precinct. This complements and adds nearly half as much space again to the Quadrant.

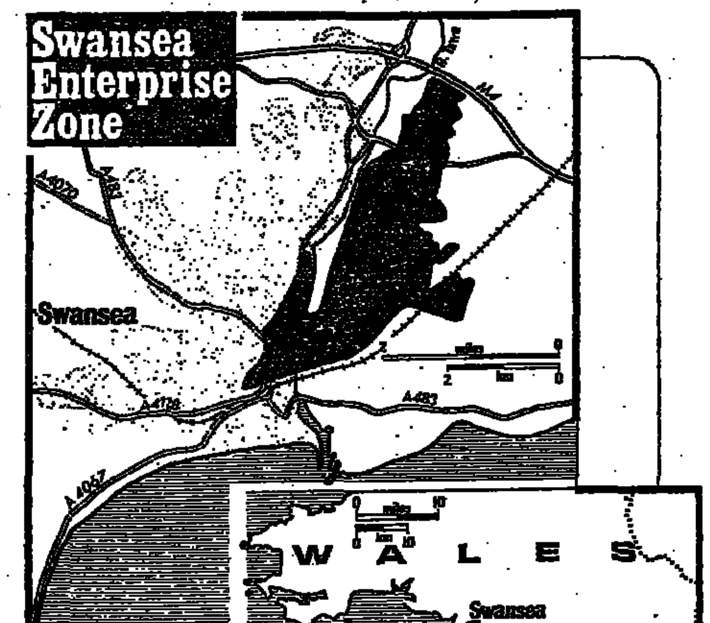
There are also a number of other local employment initiatives, such as a Thompson Organisation project, being carried out in conjunction with Neath District Council, and a West Glamorgan County Council-funded special unit to encourage workers' co-operatives.

Clearly, given a strong revival in national and international capital investment, the Swansea Bay region is better prepared than it has been to compete for a slice of the action.

It has the sites, the premises, the skilled labour force and the communications. The M4 motorway link is now finally complete in all sections, bringing London and Heathrow airport within three hours drive.

At present, local initiatives are having to suffice. There is currently a good flow of outside inquiries from potential investors, but a better economic climate is required, it seems, to turn them into firm commitments.

Robin Reeves



Council sets the pace for enterprise zones

SWANSEA was the first local authority in the country to clear the administrative hurdles required to get its Enterprise Zone into business. And it continues to be a pacesetter for the Government's experiment in freeing industry and commerce from many traditional planning and fiscal restraints.

The Swansea Enterprise Park—as it has now been renamed—was activated by parliamentary order on June 11, last year. Since then, an average of two enterprises a week have established themselves within the 735 acre zone in the lower Swansea Valley.

In its first nine months, up to March 31 this year, a total of 33 companies had committed themselves to moving into the zone. Of these, 15 made the decision in the first quarter of this year, a period during which there was also a steady increase in the number of serious inquiries to a peak of 48 in March.

Swansea is fortunate. Its enterprise zone is not tucked away in an area with difficult access, as is the case in some other parts of the country. Nor has the area in which it lies failed to secure development or redevelopment via traditional incentives. Its situation in the lower Swansea Valley is at the geographical heart of the Swansea Bay conurbation.

The area's previous neglect stems from its history as the one-time centre of Britain's copper, lead and zinc smelting industries, which turned the valley into one of Europe's worst environmental blackspots.

Designation as an enterprise zone coincided with the first fruits of an ambitious land reclamation programme launched in the early 1970s. This has released ample land for industrial and commercial development in a location with excellent communications with the whole of south and west Wales.

It has also given the zone a range of new factory units ready for immediate occupation. These had been planned by both Swansea City Council and private developers and were under construction before the enterprise experiment was first announced.

For this reason, complaints from sections of Swansea's business community that the zone is already distorting the local industrial and commercial property markets are difficult to prove.

Certainly, well over half of the 33 businesses were previously located in other parts of the Swansea Bay area. But Mr Roger Warren Evans, Swansea's director for trade and industry, says no company has moved simply to cash in on the zone's 10-year rates moratorium and other fiscal advantages. All have been prompted by other considerations, he says—usually the need to expand into more suitable premises.

Location

The zone's geographical position at the centre of the Swansea Bay region may well be as important an influence in tempting away commercial and industrial development from other potential local sites as its enterprise zone advantages.

The position was bound to attract good interest from the wholesale, retail and warehousing sectors. These account for nearly 40 per cent of the enterprise and half the total floor space allocated so far.

One of the few restrictions is that retail developments are subject to a ceiling of 45,000 sq ft. But this has not discouraged Tesco from purchasing a large site within the zone. It is also leading to some interesting joint wholesale-retail developments, a mix which local councils have generally frowned upon ever since planning laws were introduced.

Small-scale manufacturing businesses comprise nearly 40 per cent of the companies in the zone so far, but only just over 20 per cent of the floor space.

Up to March 31, an estimated total of 148 jobs had been established in the zone. Of these, 39 were newly created.

These however are early days. Only 13 of the 735 acres have so far been developed. Yet it is already clear that in Swansea at least the enterprise zone experiment is going well and in another year could be yielding even more interesting results.

Robin Reeves

Microelectronics show reveals surprise potential

THE FIRST ever Swansea Bay microtechnology show was mounted in January this year. The response, in terms of both the number of exhibitors and visitors, surprised even the most optimistic of the show's organisers. It vividly highlighted the fact that a small but lively microelectronics sector, has begun to spring up in the Swansea Bay area.

Until recently microelectronics in this part of the world meant only two things.

One was University College, Swansea, which in 1973 established the first microprocessor teaching laboratory in the country. Two years ago UCS's electrical engineering department became an officially designated microprocessor centre offering consultancy and design services to industry under a Government-backed scheme.

The other was Siliconix, a California-based semi-conductor manufacturer, which established its European production subsidiary in Swansea 12 years ago, and has been growing there ever since.

Siliconix's Swansea plant makes field effect transistors, analogue, electronic switches and multiplexers and other integrated circuits for aerospace and military and civil telecommunications industries.

The Welsh plant accounts now for nearly half the group's world sales. Given an improved economic climate Siliconix is planning to expand into silicon wafer manufacture in the Swansea Bay area.

These days there are, however, other things happening. Another hardware company, Cirtech, has a unit on the Swansea Industrial Estate which specialises in contract assembly and design electronic equipment.

There is also a growing band of local software companies with good Welsh names like Croeso Computer Services and Tawedata. These companies are making a reputation for themselves offering an advisory and installation service.

Another Swansea-based software house, Redkite Software, is only two years old but is already making an international mark supplying high quality software packages for Digital's range of microcomputers.

Among a number of software packages for which Redkite is licensing international distribution rights is one which expands the memory capacity of an existing computer type by a factor of 16 without replacing existing equipment.

An even more recent arrival on the scene is Business Micro Systems which after looking at Bristol, Oxford and Cardiff, decided to make Swansea its base for serving the southern half of the UK.

The company, whose headquarters are in Harrogate, Yorkshire, specialises in the development of programmes for local authorities and integrated business systems for small and medium size concerns.

BMS claims to be the first to have developed a system to monitor the performance of local authority direct labour departments.

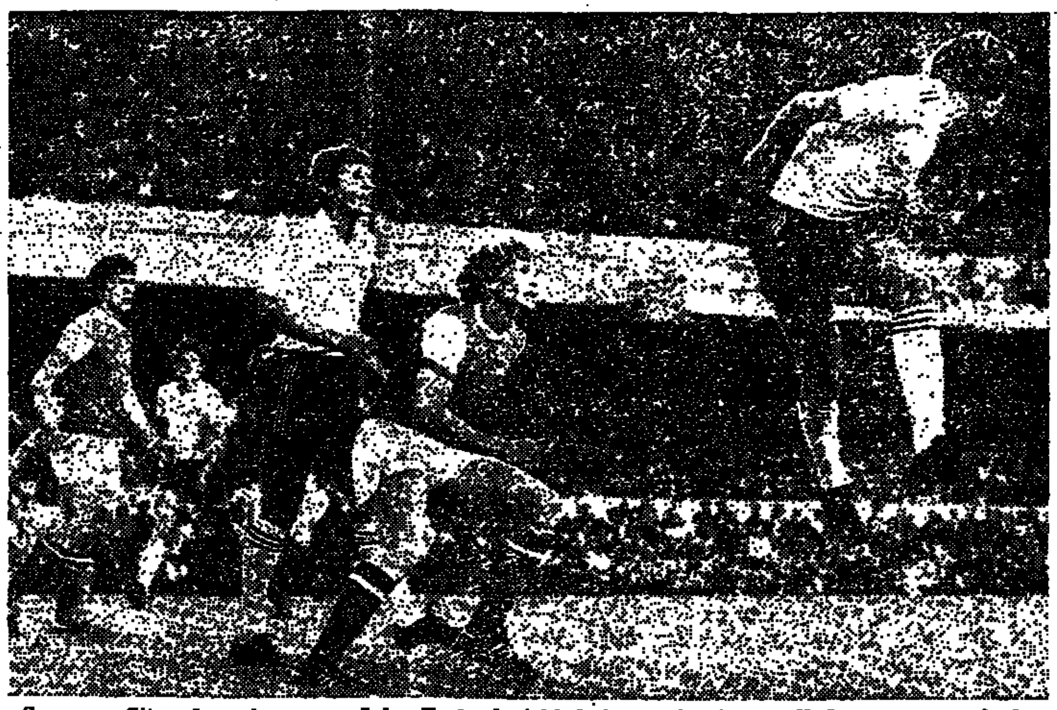
R.R.

SWANSEA BAY II

Tourist industry hopes to emulate success achieved by the region's sports teams

Soccer club joins the elite

By Gareth Jones



Swansea City player/manager John Toshack (third from right): labelled "manager of the century" by the late Bill Shankly

FOR THE past eight months British football fans have had to become used to a new name among the Liverpools and Manchester Uniteds at the head of the league championship table: Swansea City.

The club's success highlights a renaissance so complete that there have been suggestions that the swan which adorns the team's jerseys should be replaced by a phoenix.

Five years ago the club was near bankruptcy. It had been struggling in the fourth division for four seasons and the chances of it achieving first division status for the first time ever were not even considered.

The recovery began when club chairman Malcolm Struel enlisted the support of the city council to fend off the club's immediate creditors. But, in a football sense, it started in February 1978, when Struel entrusted his side to a man with no managerial experience whatsoever, Welsh international striker John Toshack.

Toshack's arrival inspired an almost Messianic fervour. The crowd for his first match as player-manager was 15,000—topping the average attendance by 9,000.

That spring Swansea were promoted to division three and the next year to division two. After a season to pause for breath, the Swans soared on, victory at Preston a year ago taking them into the first division for the first time in their 80-year history.

It was an achievement which prompted the late Bill Shankly, former boss at Liverpool, to describe Toshack as "the manager of the century."

Toshack's inspirational and tactical skills, backed by a far-sighted board of directors, meant that a city which had always exported talented footballers—the brothers Charles and Allchurch, Cliff Jones, Jack Kelsey et al—can now both hang on to its local products and attract others of the highest quality.

The club provided nine members of this year's Welsh team and the current staff also includes internationals from Yugoslavia, England and Scotland. Not surprisingly, attendances now average more than 20,000.

Progress on the field has been matched by that on the sidelines. Last year saw the opening of an impressive new grandstand, the first stage in a £1.8m scheme intended to turn the homely Vetch Field into a top-class stadium.

In the programme marking the stand's official opening, West Glamorgan County Council leader John Allison described Swansea City as "the standard-bearer for south-west Wales" and spoke of "the status and commercial advantages that the club has conferred on Swansea over the years."

The fairy-tale rise of the city's soccer club should not blind us to the rest of Swansea's rich sporting tapestry. Just half a mile from the Vetch Field is St Helen's, with enough legends of its own.

St Helens was the venue for the first international rugby match in Wales, against England in December 1882, and the All Blacks and Springboks are among those who played there before international games were restricted to Cardiff in the mid-1950s.

As the home of Swansea RFC, one of the top half-dozen clubs in Britain, St Helen's still plays host to all the major touring teams and provides its share of rugby folk lore. It was there, for example, that two Gowerton School pupils, Willie Davies and Haydn Tanner, inspired the club to victory over New Zealand in 1935.

Cricketing history has also been made at St Helen's. Gary Sobers hit Malcolm Nash for six sixes in one over there and Clive Lloyd hit 201 not out in 120 minutes, the fastest double-century in first-class cricket.

Swansea has a fine record in indoor sport, now focused about the well-appointed modern leisure centre managed by Commonwealth Games gold medallist Berwyn Price.

The city boasts two of Britain's current boxing champions, European and British titleholders at judo and karate and a string of top-flight gymnasts, swimmers, bowlers and tennis players.

The future could see similar success in athletics, with the development of a 20,000-capacity stadium, already the site of the only all-weather track in west Wales.

Swansea has every right to the title of Wales's sporting capital.

Recession forces closer look at tourism potential

THE RECESSION has encouraged a far closer look at the opportunities for expanding tourism in the Swansea Bay region.

There is no doubt that the tourist industry is capable of making a higher contribution towards employment. Some existing amenities and facilities need better marketing. Others require investment of both cash and expertise to fulfil their potential.

One unique part of the Swansea Bay region—the Gower Peninsula—already enjoys a national and international reputation in the world of tourism. It was Britain's first officially-designated "area of outstanding natural beauty" and its famous coves and sandy beaches can attract as many as 80,000 people a day.

The need is to spread the available traffic more evenly into the surrounding areas by developing and enhancing attractions in Swansea's hinterland and by extending the season outside the traditional July-August holiday period.

Target

West Glamorgan County Council, which is responsible for most of the region, has set itself a target of doubling the number of tourists. It has made a special effort to identify particular sites in the region which offer profitable investment potential.

Among well-known local attractions built up in the past decade are the Dan yr Ogof show caves in the Upper Swansea Valley, the Margam and Afan Argoed country parks and Swansea leisure centre.

Plans are well advanced for a £6m theme park just outside Swansea and the City Council itself is within sight of completing a major scheme—redevelopment of the "Maritime Quarter."

The maritime project has skilfully exploited the tourist leisure potential offered by the city's disused south dock, which has been turned into a boating marina, and the associated historic districts, once Swansea's commercial area. A major hotel will be constructed alongside the marina.

Swansea Council is also pressing ahead with an ambitious £5m redevelopment of the city's Grand Theatre. When completed the theatre will be easily capable of handling London and Welsh National Opera productions.

There is scope for much more. West Glamorgan planners have pinpointed a range of sites suitable for hotels, golf courses, holiday villages, a motorway service centre and (in the Enterprise Zone), a motel, specialist museums, and, last but not least, a new tourist railway along the former route of the Rhondda and Swansea Bay Railway.

According to West Glamorgan's researches, around 500,000 tourists stay in the county each year, half of them coming from south east England and a further 20 per cent from the Midlands. But, given that some 18m people live within four hours' drive, there is still room for further growth.

The area is particularly well-placed to take advantage of the short-break holiday and/or the long spring or autumn weekend. It can combine the peace and simplicity of the countryside with the amenities and sophistication of city life.

According to the Wales Tourist Board, Wales is already level pegging with southern England as the most popular location for short holiday breaks and the Swansea Bay region is developing into one of the more go-ahead tourist areas in Wales.

Robin Reeves

COMPANY PROFILE: THYSSEN

Llanelli's warm welcome pays off

LLANELLI IS not a town where most people would expect to find the UK headquarters of one of the big names in German industry. But Thyssen GB has been firmly settled in this famous west Wales community since 1954.

In that year the company won a tender to sink a new mine to exploit the area's rich anthracite coal reserves for the National Coal Board. The 20 German engineers sent by the parent company received such a warm welcome from the local council and townspeople [illegible]

director until his retirement last year and still a main board member, determined that the headquarters would remain in Llanelli. The connection remains a close and happy one.

The German parent is Thyssen Shachtbau of Mulheim Ruhr, rather than Thyssen Steel, which is linked to Shachtbau through a holding company.

Thyssen GB's first Welsh pit, Cynheidre, proved to be one of the most productive in the anthracite coalfield of west Wales. It was the start of a record of achievement in the British mining industry.

[illegible] Thyssen was [illegible]

It then became involved in other UK mining ventures, including a number of Cornish developments. It was also responsible for the Selby Moors potash mine sunk in the 1960s, which involved a shaft of 3,600 ft—then the deepest in Britain.

Shaft sinking remains very much Thyssen's speciality. A measure of *the company's continued high standing in the field* has been its retention as design consultants for both the Selby and Vale of Belvoir coal projects.

Dust Control

Within a few years of its arrival at Llanelli, Thyssen was encouraged to diversify, first of all into civil engineering and construction.

In Wales it is well known for public works projects such as sewerage schemes, roads, water supply projects, and, in the Llanelli area, residential housing. It has joined one of the consortia bidding to build the channel tunnel.

Arising from its mining activities, the company also established a number of manufacturing units to supply its own requirements and those of the rest of the mining industry.

In 1964, for example, the company started to manufacture PVC equipment for the control of dust during blasting. More recently it has been manufacturing glass fibre reinforced cement under licence from Pilkington Bros and expanding into permanent form work, bridge decking and sewer linings.

Thyssen's engineering workshops at Llanelli were started initially to construct arches and steel supports for its tunnelling operations. From this base they have extended into general structural steelwork and, in more recent years, to the manufacture of complex tunnelling machines.

Mr *Eberhard Bornemann*, Thyssen GB's new managing director, arrived with the company's 1954 vanguard. He was scheduled to stay three months and ended up staying for his whole career.

From the moment he took over the reins of the company he has been wrestling with the effects of the recession. Each of Thyssen's diverse operations has been affected and last year it was forced to lay off over 1,000 of its near 3,000 employees.

Even mining has not been exempt. As a result of the NCB cutback in the use of outside contractors, half of Thyssen's traditional sub contract work in South Wales has been lost.

Mr Bornemann is quite clear in his own mind that the first [illegible] is to make [illegible]. The alternative is bankruptcy.

He *feels* the worst is now over but stresses that the company is still only working at 80 per cent of its capacity.

Thyssen has, to a large extent, been forced back on its mining expertise during the recession. A decade ago mining and tunnelling accounted for little more than one third of Thyssen's activities. Now it makes up more than two thirds.

The company is seeking overseas mining opportunities. It is involved in developing a £7m potash rift mine in Thailand and constructing a link tunnel for a large hydro-electric scheme in Swaziland.

Mr Bornemann is determined the company should approach the overseas market cautiously. "*We shall use these projects to prove our capacity to operate satisfactory at such distances,*" he says.

The company remains optimistic about the future domestic market.

It feels Britain's shortage of decent housing and outdated sewerage system point to needs which Thyssen is ready and able to help satisfy.

R.R.

Why wanderlust is waning

Arnold Kransdorff and **Elgin Schroeder** compare the reluctance of employees in the U.S., UK and West Germany to be relocated

A DECADE AGO, when a company offered a key employee the opportunity of a transfer to a new location he usually jumped at it. The move usually meant promotion and more money—and was a sure sign of even better things to come.

In those days it was also not that difficult to make a move. House prices were relatively low, mortgage interest rates were less than 9 per cent a year and buoyant demand for houses meant that "For Sale" boards did not have to stay up for very long.

Today the picture is very different. House prices have rocketed, interest rates have until recently topped 15 per cent, and demand for houses has rarely been flatter. In addition, changes in social attitudes and the fact that more wives are working has produced a noticeable reluctance on the part of employees to move—even if their companies demand it.

These shifts in economic conditions and social attitudes have meant significant changes in corporate relocation policies. In many cases companies must now offer substantial incentives to get their employees to move.

Among these are usually reimbursement for the costs of selling a house and buying another, sometimes including payment of the interest on bridging loans. Many companies also pay what they call a "disturbance allowance" to help employees buy new carpets and curtains, school uniforms for their children and meet such costs as installing cookers and TV aerials; this allowance often amounts to a flat 10-15 per cent of salary.

Besides this some employers pay the costs of travel between old and new locations during a settling down period, as well as the cost of hotel accommodation before moving into a new house.

But such consideration is not widespread in the UK, where compensation packages for relocation employees are not particularly generous, at least in comparison with the job mobility-conscious U.S.

In the UK, sophisticated relocation policies are generally the preserve of the larger companies. Some, like IBM, ICI and Unilever, have their own in-house departments to deal with employee relocation while others such as Watney Mann, Associated Dairies and Turner and Newall use outside specialist consultancies. The two largest are PHH Homequity Relocation and Merrill Lynch Relocation Management.

When most UK companies transfer an employee, they restrict themselves to paying removal costs and—grudgingly—offer bridging finance, leaving the individual to arrange the sale of his house.

Not so in the U.S., where companies often go to the extent of providing reception committees to help relocated employees settle into their new environment. Many U.S. companies also give special payments to compensate for a move from a low cost housing area to a high cost one, as well as cost of living allowances.

Nearly all major U.S. companies provide relocated employees with some form of assistance in disposing of their former living quarters. A majority—around 56 per cent—employ an outside relocation firm or bank which offers to buy the employee's home and some—about 13 per cent—offer to purchase the employee's home themselves.

Only a quarter of companies now have a policy where employees arrange for the sale of their own homes and are reimbursed for some or all of their expenses.

These findings emerge from the latest study* of employee relocation policies among more than 600 major corporations in the U.S. The survey has been conducted by Merrill Lynch Relocation Management and is due to be published later this month.

The study notes that the percentage of companies using a relocation firm or bank, or purchasing the transferred employee's home has increased significantly in recent years.

Among the companies surveyed — selected from Fortune's top 1,000 industrial and 50 non-industrial companies —the average number of relocated employees increased slightly in 1981, which suggests a reversal in the trend over the past two years.

Two industries reported a significant increase in transfers —the mining industry (up by 58 per cent) and business machines (ahead by 27 per cent).

According to the survey fewer transferred employees (57 per cent) are now home owners. The authors suggest that this is because younger employees are now finding home ownership too expensive.

U.S. companies also have liberal policies towards non-homeowners. The survey found that nearly all companies reimbursed renters when they were moved.

For example many met the cost of terminating a lease early. Others reimbursed search fees for new premises and the differential in rents in more expensive areas.

Looking ahead, about half of the companies surveyed expected to transfer the same number of people in 1982 as they did in 1981. Slightly more —36 per cent—said they expected to move less and 14 per cent expected to move more.

** Employee relocation policies among major U.S. corporations, 1982, available from Merrill Lynch Relocation Management, 4 Corporate Park Drive, White Plains, NY 10604, U.S.A. Price $10 for summary and $25 for full report.*

A. K.

A lack of intellectual curiosity

"IT IS obvious that a strongly export-oriented economy needs people who are capable of pursuing the interests of individual enterprises in foreign countries and foreign markets. But for a variety of reasons West German companies seem to find it hard to win qualified aspirants."

This warning is given in a study by the Institute for the German Economy, in Cologne, into the question of whether Germans are really becoming increasingly loath to work abroad.

Based on a survey of 626 West German enterprises—primarily industrial companies with an average workforce of between 4,000 and 5,000—the study shows that employees of big concerns shun working abroad even more than those of small or medium-sized businesses.

Managerial personnel of big concerns are the least willing to try their luck in a foreign country. While engineers and technicians usually go abroad for a precise period of time and on coming back are not faced with hierarchical worries, managers fear that during their foreign stay others may advance their own careers—possibly at the "exile's" expense.

Wolfgang Neumeier, of Robert Bosch, the Stuttgart electricals concern, adds a more fundamental observation. "I am under the impression that it is no easier to post somebody from, say, Stuttgart to Hildesheim in Lower Saxony than from Stuttgart to Sao Paulo."

Neumeier found that when advertisements for openings at Bosch specified that junior executives were expected to go abroad for the company for a time, it had a distinctly off-putting effect. It did not even help, he explains, when applicants were told that their long-term career prospects with the company would be better if they gathered experience abroad.

Nor is this reaction reserved to married managers. Even the inclination of young single people.

It blames this yearning for security on the part of young managers not only on a growing feeling in the Federal Republic that one's very existence, let alone one's career, is becoming increasingly less calculable. The federation also attributes it to a lack of flexibility and intellectual curiosity and a decline in open-mindedness in many people—phenomena which are also reflected in West German students' growing reluctance to study for one or more terms abroad.

Pressed for reasons for their resistance to foreign postings, 49 per cent of managers cited "family affairs." Neumeier confirms that the family plays a great role in the decision whether or not to accept a job offer abroad, not only in respect of children's education but also where wives have careers of their own.

Another important argument is that with the recent increase in house ownership in Germany many people fear leaving their property behind, says Neumeier.

In contrast, however, the personnel officer of a large corporation believes that "family reasons" are only used as a front to avoid an unattractive posting abroad.

Roughly 31 per cent of the executives unwilling to go abroad admitted to having "reservations about foreign living conditions," pointing to the difficult climates and less leisure time of some foreign postings.

Another 10 per cent were afraid of losing out financially. In this context, it is crucial to know whether a company is prepared to continue its social security contributions under the German system for the employee abroad.

BASF, one of the country's big three chemical giants, emphasises that in principle it treats its employees in foreign countries the same as those at home. And Daimler-Benz says it gives "binding re-settlement promises, the usual 50 per cent share in German social security contributions and an annual examination of salary and company pension commitments."

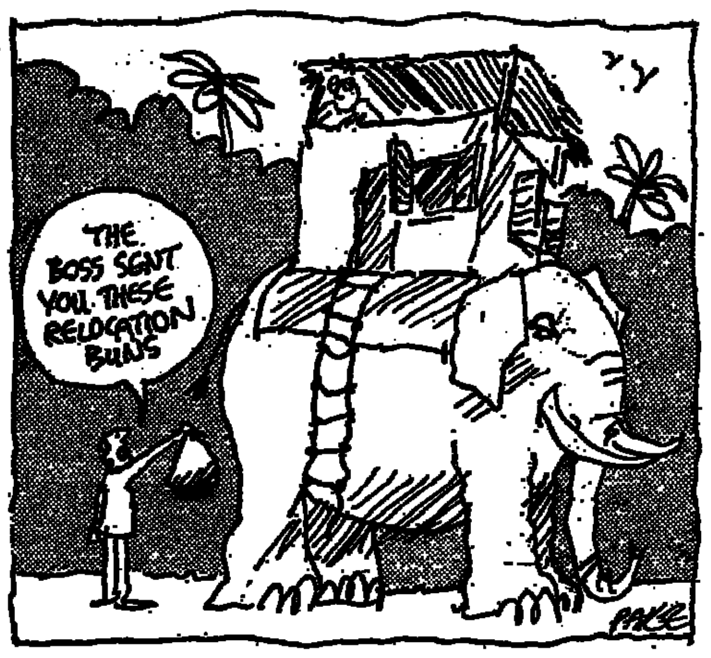
Finally, 18 per cent of the rejectors of a stint abroad think that an interruption of their present career may not be advantageous. Indeed, says Jochen Kienbaum, one of West Germany's leading management consultants, these fears may not be groundless. Many successful executives abroad fail to realise that they are running the danger of turning into specialists who will not be able to compete on the way to the top with capable all-round men.

A surprising result thrown up by the study is that although 98 per cent of the enterprises questioned had no doubts that their success in foreign markets largely depends on the qualities of their employees, and nearly as many—94 per cent—described experience gathered in foreign countries as an important element of career experience, every fourth company admitted that it did not promote its staff's wish to go abroad. Some companies even admitted to hampering such desire.

Reasons given for this attitude were that the employee could not be spared from the domestic business, or that a posting abroad and the preparation for it would cost a lot. Roughly 10 per cent said they were concerned that a mission abroad might awaken professional expectations in their employees which would be hard to fulfill.

The Cologne Institute comes to the conclusion that the personnel problems connected with the Federal Republic's industrial involvement in other countries have to be solved, in the first place, by the companies themselves. It holds that employees' mobility and flexibility are primarily influenced by training, financial incentives and career development offered by the companies. But so far, it says, only a relatively small number of West German enterprises pursue a personnel policy which makes working abroad part of an executive's career pattern. The Institute also found that the companies expect the state's educational system to improve young people's preparedness for life abroad.

E. S.



Blowing the whistle on fleet car costs

THERE ARE 2.8m company fleet cars on Britain's roads and they are costing their owners millions of pounds more than is necessary because of sloppy management, according to PHH Services of Swindon, the UK subsidiary of an American group that claims to be the world's largest vehicle leasing company.

For example, an analysis of the recent repair costs of fleets for which it has just taken over the management showed that many garages overcharge when bills are not scrutinised by experts.

One PHH client had previously been overcharged on servicing and repairs by up to £20,000 a year. Another had been overcharged by an average of £50 each on 10 cars a month.

Companies which do their own servicing and repairs do not escape, according to PHH. It found some clients' own garages were overcharging by 50 to 100 per cent for labour.

Obviously it is tempting for garage managers to absorb under-used labour costs by padding fleet car maintenance bills. In one fleet extra costs from this practice totalled £50,000 a year.

Whether or not the fleet manager has been consenting to the overcharging it quickly disappears when a garage—either internal or external—realises that all charges are carefully looked at by experts.

PHH, which manages over 18,000 vehicles in Britain and therefore has a wide base for comparison, has also established to its own satisfaction that to hang on to a car too long—a temptation for companies when times are bad and cash flow low —really does cost a company money.

One company which extended a fleet's life by two years increased its repair and service bill by 40 per cent.

Missed services cost money too. PHH reckons that maintenance costs more than double and the likelihood of engine failure trebles when vehicles miss one or more services.

Some people go too far in the other direction, however. In one fleet it was found that five salesmen and three servicemen were off the road for one day every week for car "adjustments." "Prompt action made an impact on revenue and pinpointed management weakness," says PHH.

And what about buying the cars in the first place? Function as well as position in the hierarchy should be considered when choosing car types, argues PHH.

The generally-held principle is that the more senior people in a company should have the larger cars. However, a salesman who carries heavy loads often needs a larger car than his manager. When the manager's ego gets in the way of common sense it can lead to the dangerous overloading of small cars and, inevitably, increased maintenance costs.

Another area where money can be halved when buying new cars is on those "extras" which are so profitable for the vehicle manufacturers.

On an average purchase of 100 vehicles a year, PHH says it can save more than £5,000 by keeping the cost of "extras" to a minimum.

On the other hand, PHH maintains that it is not worth skimping when it comes to buying a vehicle intended for a special job. One new client had spent £4,200 on modifications after buying vehicles with the wrong specifications.

Kenneth Gooding

Business courses

Water Management for Packaged Boiler Systems, High Wycombe. June 21-22. Fee: £136 (plus VAT). Details from School of Water Sciences, Lane End, High Wycombe, HP14 3JH.

The Image of Business in the Media, London. June 16. Fee: £20 (plus VAT) members, £30 (plus VAT) non-members of the Corporate Responsibility Centre. Details from Corporate Responsibility Centre, 359 The Strand, London WC2R 0HS.

Quality Control and Robotics, Tokyo. May 30-June 8. Fee: $3,750. Details from Merton Associates (Consultants), Merton House, 70, Grafton Way, London W1P 5LN.

Physical Distribution Management, Brussels. June 21-25. Fee: BFr 42,000 members, BFr 46,000 non-members of the International Management Association. Details from Management Centre Europe, avenue des Arts 4, B-1040 Brussels, Belgium.

THE ARTS

Sadler's Wells

Coppélia

by CLEMENT CRISP

Coppélia is a very serious ballet. Its score is one of the greatest written for dancing; its narrative is strong, theatrically efficient; its characters are not easy to play well, and its dances —in something like their traditional form — are taxing. Yet it has, across the years, become associated with young dancers, or with soubrettes, though Danilova, Markova, Slavenska, Fonteyn, May, Makarova have all shown that it requires the gifts of artists of finest calibre, and the ensemble dances of the first act demand the kind of stylistic panache entirely outside the powers of British dancers.

On Saturday afternoon Sadler's Wells Royal Ballet presented Peter Wright's version—it appears slightly edited since last I saw it—in decent enough fashion, with two young artists making their local début as Swanilda and Frantz, and the numerous (and vocal) tots and their companions in the audience delighted by events. So, up to a point, was I.

The staging is intelligent, except in its lighting, which would have us believe that the *first act lasts from dawn to* dusk; the company are as energetic as the confines of the Wells stage will allow; Nicola Katrak is strong on smiles and charm, though rather less so on bravura, as Swanilda, and Roland Price has the youthful ease and technical accomplishment to make an outstanding Frantz; Barry Wordsworth conducted the miraculous score as if he loved it.

It was all quite sound, and the occasional annoyance — three ludicrously dressed chaps banging about the stage in "Combat"; the weird prevalence of the leg-of-mutton sleeve; some under-danced variations in the last *act festivities*—did not detract from the pleasures of the occasion.

But there is a sense in which this staging, like nearly every other I have seen, minimises *Coppélia's* greatness, its Hoffmannesque dreams (the alchemical desire to create life), its sentiment (the nature of love; and the way in which Swanilda wins Frantz), and its identity as a late piece of balletic romanticism, with its old-fashioned conventions in the last act divertissement, and its uncorrupted innocence.

Perhaps, as with *The Nutcracker, no production can fully* realise the qualities implicit in score and action. Perhaps, as Roland Petit so admirably showed, it needs radical re-thinking: at least Petit made it a serious tale, as incidentally he did *The Nutcracker*. Perhaps I am asking altogether too much of producer and dancers; but I wish that Mr Wright and his company were willing to stress the poetic mystery of the ballet as well as its sunlit charm. Then *Coppélia* might look the masterpiece it is, and every role acquire the authority which Desmond Kelly so magnificently gave to the minute and usually unconsidered appearance of the Duke.

Wigmore Hall

Gabrieli Quartet

by DOMINIC GILL

Anyone who had left at the *interval of the Gabrieli String* Quartet's recital on Saturday might have fairly assumed that they had heard the first half of what was to be no more than a solid, useful, but largely unspecial evening's music-making. That they would have been wrong is only another confirmation of, and tribute to, the nature of live music, whose very lifeblood is its magical unpredictability—what else, after all, persuades us to venture into the concert hall, *instead of staying at home with a familiar* record?

The Gabrieli had begun worthily, no more, with a sensibly - dressed, chunkily-knitted account of one of *Haydn's greatest quartets*, the G major op.77—which gave us the notes well enough, though it plumbed no depths and found few soaring lyrical heights in the marvellous and ever-changing sequences of the music's quicksilver dialogue. Rhythms were clear but stiff, as they were too in the Gabrieli's performance of the rarity of their programme (justifying its inclusion in the Wigmore's "Russian Series")—the second quartet of Chaikovsky's younger contemporary Anton Arensky, composed in 1894 and dedicated to the memory of the master.

It's an intriguing and effective *work, scored for the unusual* combination of violin, viola and two cellos, and has authentic dark Chaikovskian blood in its veins (although the influence is held to be as much the other way round). The Gabrieli, with the cellist Moray Welsh, gave it intelligently: but without robustness, so that its darker currents seemed a little pale.

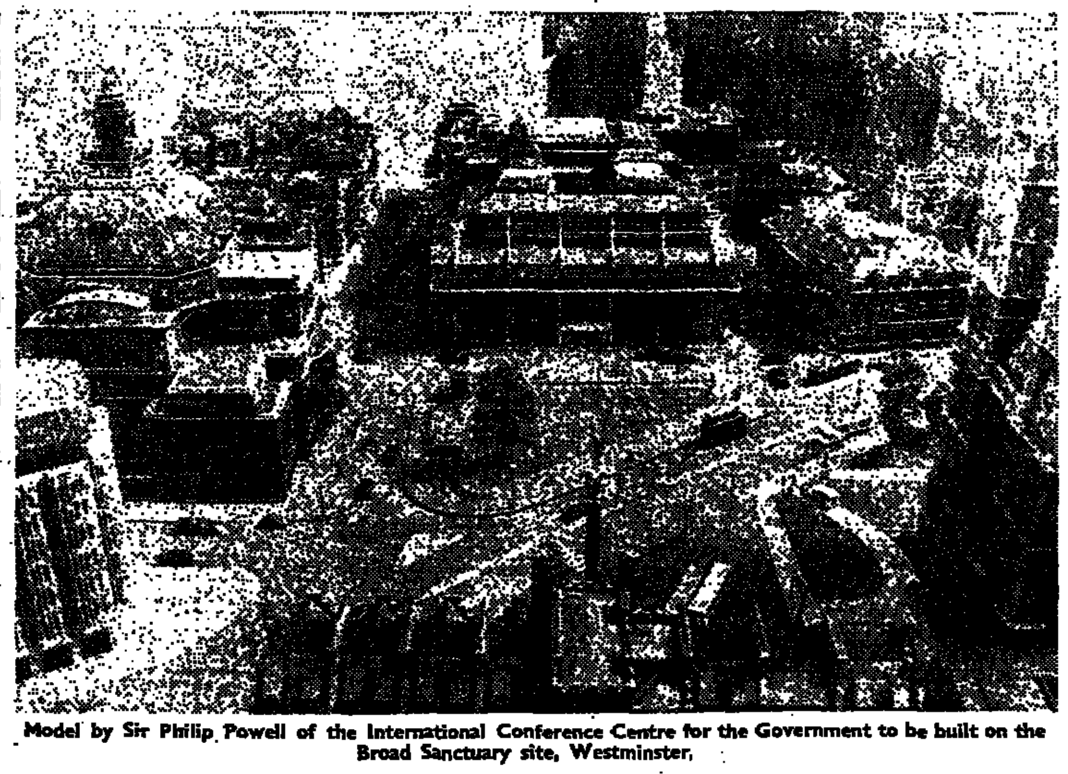
From the opening pages of Schubert's C major quintet, the *Gabrieli's finale, for which they* were joined again by Mr Welsh, it appeared that the evening's mark was fixed: here once more *the playing* was decent, but listless and curiously coarse-grained. But suddenly—the point, in the middle of the first movement's development, can be exactly marked—a spark was struck: and the performance from that moment on came together with wonderful assurance and ease. It was a magical transformation, which caught every colour of the music: the timeless ardour of the *adagio especially*, the surprise and strangeness of the scherzo's trio, the vigour and warm embrace of the finale. And a splendid vindication, both of the Gabrieli, and of the music critic's golden rule: never leave before the end.

Awards for young photographers

Bausch and Lomb Soflens division, manufacturers of contact lenses, is sponsoring the Bausch and Lomb 1982 Young Professional Photographers of the Year Awards, open to both photographers' assistants and to all students in the UK who are taking a full-time photographic course.

Prizes are to the value of £6,500 plus an exhibition of the winners' work which will be staged at the photographic Information Centre, 84 Newman Street, London, W1.

Realistic working briefs have been set, and will be judged, by four of the UK's top photographers in the following categories: Fashion/Beauty—Stuart MacLeod; Industrial — Don Fraser; Reportage — Ken Griffiths; and Still Life—Max Forsythe.



Model by Sir Philip Powell of the International Conference Centre for the Government to be built on the Broad Sanctuary site, Westminster.

Architecture

Academies and competitions

by COLIN AMERY

It has been quite a week in London for the art of architecture. *The opening of the Royal* Academy Summer Exhibition is no longer an event to cause seething excitement in the artistic breast but it is the only annual show where a group of architects show their work to the general public. The announcement of the results of *the full scale* architectural competition for the 12 acres of riverside land at Vauxhall also brought architecture into the *public eye*.

First of all the Royal Academy, which is an exhibition heavy with a sense of *déjà vu*. It is in the nature of academies to be conservative and the 10 or so architect academicians are no exception. There are interesting developments in the world of architecture at the moment. Ignoring the blatant commercialism of the Royal Institute of British Architects there is a concern among serious younger architects with the values of history and everywhere, particularly the schools, *there is a revival of interest in* the art of drawing.

There is also a renewed interest in style which is still *abused by the older generation* as mere trendiness. Another area of great interest and development (which is to get more coverage in this column) is the design of the domestic interior. It is probably true to say that this is an area where architects have missed out. Excellent and original design for the interior comes from outside the profession.

In the *Project for a Public Building*, by Craig W. Anders, the design for a mausoleum by Michael P. Stiff and the regular entry by Quinlan Terry there *are signs that the art of drawing* and the development of an interest in classicism are bearing fruit. Even in the work of a large commercial firm like Thomas Sunders Partnership tiny elements of the new thinking are having their effect.

This organisation exhibits a design *for* an office building in Fleet Street which is glass with large classical details on the façade. Even an architect I have always thought of as a modernist and a pretty pure one at that, Michael Manser, shows a house which he calls, rather puzzlingly, *Neo-Palladian House*. Is he taking dangerous first steps down the Post-Modern path?

Sir Geoffrey Jellicoe's stylish drawings for his amazing new landscape garden at Sutton Place in Surrey are among the best things in the show. First of all it is comforting that anyone is really building cascades, grottoes, and an avenue of *fountains in these hard times*, and second, the presentation is so splendidly spirited in pen and ink.

Also for Sutton Place is a very fine piece of new furniture — A Gothick tallboy — beautifully drawn by Stuart Taylor, a talented and knowledgeable member of Sir Hugh Casson's architectural office.

The Academy show provides a chance to see two major projects before they are built: the headquarters for the Hong Kong and Shanghai Banking Corporation, by Norman Foster of Foster Associates, which is now building in Hong Kong; and Richard Roger's proposals for Lloyds in the City.

Both schemes are in the top *flight of technical achievement* and both have aesthetic qualities that spring from the quality of their conception. *Both are projects that add* lustre to the name of British architecture despite the fact that they employ a technical imagery many people find unsympathetic.

There is plenty of architecture of a smaller scale that uses more traditional materials and vocabularies, particularly housing by Dixon del Pozzo, a house by Aldington Craig and the much talked about but really *pretty uncontroversial addition* to the fire-damaged church at Barnes by Edward H. Cullinan.

It is unusual in these *difficult days to find* a large new public building for a prominent site at Westminster. Powell and Moya's International Conference Centre for the Government, to be erected on the long vacant Broad Sanctuary site by Westminster Abbey, is prominently displayed in a model. It is a strong competitor for the surrounding mass of great architecture although its rather blank architectural vocabulary *puts great stress on the quality* of the materials used and the need for craftsmanship. I suspect that the real joy of the design lies in the interior.

The Royal Academy demonstrates the same dilemma as that which must have faced the assessors of the Vauxhall Cross competition. They selected from 128 entries three short-listed schemes, each one of which represented a distinct school of architectural thought. The winner is, frankly, the least interesting of the three. It is a wall of offices buttressed by stepped housing by a young firm of architects, Sebire Allsopp working with Ted Happold, the engineer of the Pompidou Centre.

What the winning scheme may have in technical dash and *logical site* use it loses on scale and imagery. A long zig-zag of buildings at one point nearly 300 ft high, to the public eye it will always be an office wall.

Terry Farrell, on the other hand, who was a runner-up, tried hard and almost succeeded in breaking up the solid office block into a series of pavilions of varying sizes that took on a classical style. The public liked this scheme the best because *it was saying something new* about city architecture in a way that is easily understood and witty and elegant. Dit and elegance don't go far with developers.

The other short-listed scheme by Nicholas Lacey was a denser, more organic and watery exercise. It took part of the Thames into the site and allowed some of the office buildings to overhang the water.

Mr Heseltine will decide today whether to put the winning scheme through for a special development order from Parliament. I am pretty sure that he will back the judges and the developer's choice of winner. His competition had as its *object a raising of the standard* of commercial architecture, and it is a fact that the winning scheme advances that cause, although it is a safer and less interesting scheme than either of the runners-up.

Architecture still faces the dilemma of the need to please the public, satisfy the developers and lift the heart at the same time. At the RA and on the South Bank of the Thames *the struggle is just beginning* —and only just.

Giulini's return to 'live' opera

The Royal Opera's new production of Falstaff—a co-pro*duction with the Los Angeles* Philharmonic and the Teatro Communale, Florence — will open on June 30, when Carlo Maria Giulini will return to Covent Garden after an absence of 15 years.

After the Royal Opera's performances—June 30, July 3, 6, 9, 13 and 16 (when a video recording will be made by Covent Garden Video Productions, together with BBC Tele*vision, for later showing on* television and commercial release on video, disc and cassette), the production will go to Florence in May 1983 for the Maggio Musicale, after which it will return to Covent Garden and remain part of the Royal Opera's repertoire.

Leeds Playhouse

A Midsummer Night's Dream

by B. A. YOUNG

Oberon, Titania, Puck, and all the fairies are black. And why not? They must be readily distinguished from the mortals, and they look lovely. "I by no means repent the introduction of my Africans," said "Monk" Lewis of the blacks he put in *Wales*. "I thought it would give a pleasing variety to the characters and dresses. . . . could I have produced the same effect by making my heroine blue, blue I'd have made her."

So here is Ewart James Walters, as tall as a tree, looming over the forest like a jet *idol*, but unhappily relapsing into monotony when he speaks. Here is Cassie McFarlane, a fairy Millie Jackson as Titania. And here is the lithe, mobile Leo Wringer flitting about the set as an enchanting Puck, who will be even better when he puts as much fun into his voice as into his movements. Around them are no less than 13 black fairies, recruited from a local school.

The production, which is directed by John Harrison and designed by John Hallé, is uncommonly pretty. Perhaps it doesn't sound pretty: there is the Playhouse's plain oval open stage, undecorated, and behind it, rows of plain rectilinear uprights, arranged in threes like a wall of cricket stumps. Now and then the rows move slightly to one side to add a touch of menace to the woods. The fairies are dressed in white singlets, the mortals wear weeds of Athens, more or less.

Janet Ellis's Hermia is young, attractive and innocent, unable to understand why these wretched things are happening to her. Victoria Hardcastle was born to play Helena—taller than average, with a quality of mockery in her voice and in her face, even in her most *serious* moments. As their suitors, Derek Hollis's Lysander and Gordon Dulieu's Demetrius are virtually interchangeable, both of them pleasant, both of them likely to be pleasanter in a week's time when they begin to live their lines as well as speak them.

There is plenty of slapstick from a devoted bunch of amateur actors, led by a Peter Quince whom Stephen Hancock supposes to have tried to look like an old-time matinée idol. John Branwell's Bottom is one of those men who use determination as a substitute for inches, like Dudley Moore. His ass's head leaves all his face *uncovered, giving him freedom* for the guffaws and giggles that he acquires with his translation. In their tedious, brief play, he is accompanied by a cockney Thisbe about eight feet high, a funny performance by Ivan Steward, only I often couldn't hear what he said.

Theseus and *Hippolyta* (Gregory de Polnay and Carmen Rodrigues) begin the evening by speaking their lines over a wrestling bout, an event that sent my heart into my boots. Once they were content to pass the four days to their wedding with hunting instead of fighting, all was well.

Young Vic

Romeo and Juliet

by MICHAEL COVENEY

The trouble with unsatisfactory productions of *Romeo and Juliet* is that the two hour traffic *of our stage gets stuck in a jam* and arrives one hour late. So it proves on this occasion, although the direction of Andrew Visnevski—who has made a little name for himself with his Cherub Theatre Company—is not totally devoid of interesting ideas.

The day will no doubt come when comment on the colour of actors' skins is irrelevant. But integrated casting is such a hot issue in the theatre that I must first applaud Mr Visnevski's innovatory move of introducing a black Romeo and a white Juliet in a *melting pot of Montagues* and Capulets who show both colours. The tactic obliterates any hint of racial tension, for the dispute is one of name and tribal affiliation.

Up to the interval and Mercutio's death, the play is *carried by a strong sense of* street manners, from the moment Mark Heath's robust Peter (much better than his doubled Montague) bites his thumb with a crude pop and sets the tone of sexual weaponry that runs through the text. Albert Welling's popinjay Mercutio makes a nonsense of his lines, but he is unmistakably part of the gang. These outdoor scenes, vividly carried by Roy Alexander's mercurial attractive Romeo, reach a fine climax in the humiliation of the Nurse (Gaye Brown in an odd turban typical of the uneasy exoticism of the costumes), bawdily transformed from child minder to whore by the gallants' rudery.

The Juliet of Alyson Spiro is full of fizz and bounce. In the balcony scene her invocation of *"Ro-me-oh" carries a suggestion* of activity in the clover. But things really fall apart as tragedy invades the action. The lament for the dead girl, led by David Henry's bombastic Capulet, is embarrassingly unfunny in its attempt at melodramatic excess. Even strong themes in the production, such as the roles played by the Nurse and the Friar (David Dodimead) as agents for their respective *young clients, resolve in an* indefinite, second-rate blur.

Mr Visnevski reveals his true promise in his organisation of *highly populated scenes* around this exciting arena. The designer is Annena Stubbs, the good fights arranged by Ian McKay.

Boulevard

Clap Trap by MICHAEL COVENEY

The main attraction in the Raymond Revuebar is still *The Festival of Erotica*. The pay-off, I suppose, in the little Boulevard under the same roof, is a new play by Bob Sherman set in a VD clinic. This profoundly unexciting, depressing affair is an ominous opening shot from the American Theater Company founded to generate work for the 300-plus North *American actors now resident in* Britain.

Over the past ten years the London fringe theatre has moved on from the days when such footling rubbish was commonplace. Rubbish, of course, still abounds—you need a bedding of dross to set off the jewels—but footling, derivative rubbish has been rejected in the rise of small, reasonably well-equipped theatres with one eye on standards and another on an *Arts Council grant*.

The three clients all share a predictably low view of women: "I know about women; I don't like them"; and "all good clap starts with a bad woman" are typical lines, along with the generally nasty air of sexual boasting and locker-room camaraderie. The one girl, the nurse, remains behind an ugly safe door until the final moments. By which time, a few tired revelations have been made and the trio of pipe-dreaming wafflers have grown used to each other's company. Their resolution? To sustain the macho conspiracy on some future fishing expedition.

Tony Sibbald plays a man married for 22 years who blames his permissive lapse on *the Eisenhower legacy*; *Harry* Ditson, wound up and tuned into his earphones, is a loud mouth finally exposed as a virginal, jilted sailor; while Don Fellows is the O'Neill-style sage who has, rather boringly, seen it all.

The author's own production is long-winded and static, allegedly set in Brooklyn. The script is as feeble as the conversation is unconvincing. A thoroughly *unpleasant evening* was not helped by the tackiness of the surroundings or the sullen manner of ushers in frilly shirts.

Institut Français

Trois siecles d'humour

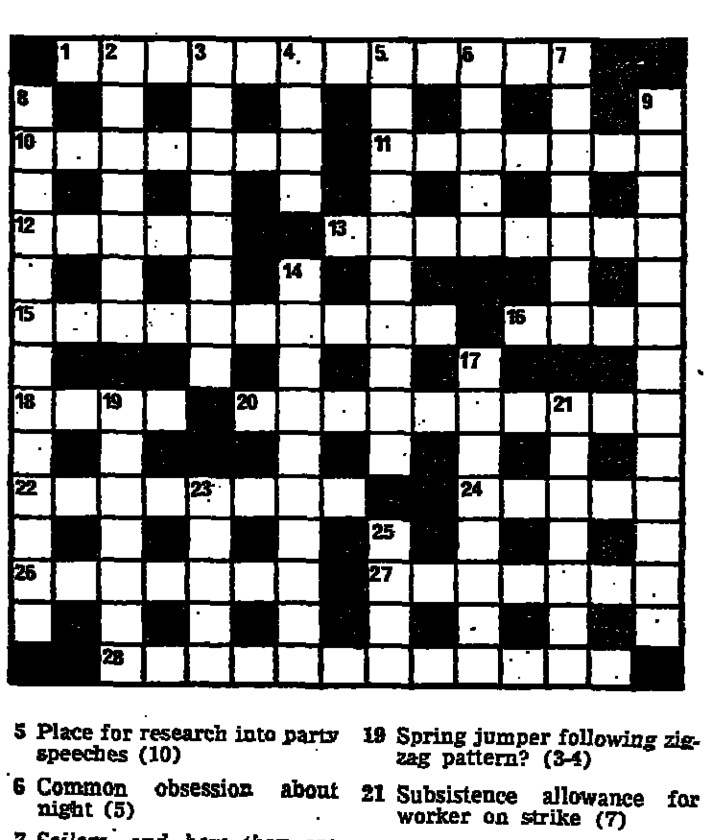
Two performances of an entertaining anthology of French humour from Voltaire to Sacha Guitry were performed in London recently by a gifted trio from Paris. It consisted of Bernard Dheran of the Comédie Française, Perrette Pradier, and *Max Fournel who compiled the* programme.

Three large fin de siècle posters and a couple of chairs served as a setting, against which the players appeared, peppering us with bon mots from the likes of Michaux, Cocteau, Obaldia and Pierre Dac. *At times the rapidity of their* speaking-rate was phenomenal, hardly leaving time for the laughs. Mlle Perrette proved to be no mean quick change artist; while M Dheran remained formidably impassive throughout in his beautifully cut lounge-suit. Playlets by Labiche *and Feydeau* rounded the evening off.

The troupe, who have been performing this programme in Africa, will appear with it in Manchester, Aberdeen and Edinburgh before returning to France.

ANTHONY CURTIS

F.T. CROSSWORD PUZZLE No. 4,873



ACROSS

1 Means of pushing new issue (12)

10 A jolly group displayed on the sleeve (7)

11 Head of boil needs antisepsis agent—to prevent this? (7)

12 Tend to see runs scrambled by England's opener (5)

13 Ignoramus endlessly producing cooking herb (8)

15 Oxon? Bad influence on Little Emily! (10)

16 Land-mass of Burma-Siam interior and well beyond (4)

18 Regretted sounding coarse (4)

20 Overtures from a Co., perhaps, breaking up (10)

22 Lecturer *in religious* matters? (8)

24 Game fish, bit of a hard-bitten character (5)

26 Warning formerly plenty ... (7)

27 ... lot more quivering on the staff (7)

28 That is a lot for a new house! (8-4)

DOWN

2 Immemorial home for moaners, according to Tennyson (3-4)

3 A RU team's members are such enthusiasts (8)

4 Invites offers (4)

5 Place for research into party speeches (10)

6 Common obsession about night (5)

7 Sailors—and how they are doing in some channels (7)

8 Depicts tourist as agent taking coat off (5-8)

9 Speech-training institution? (7,6)

14 Dig in school term? (10)

17 Former wizard of top-of-the-table West Ham United? Yes and no (8)

19 Spring jumper following zig-zag pattern? (3-4)

21 Subsistence allowance for worker on strike (7)

23 Grain taken from tropic isle (5)

25 Quarter to noon—time for school (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES

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Monday May 17 1982

Where Britain stands

AT THIS delicate stage in the Falklands crisis it is more important than ever that the British Government should be totally clear and consistent in stating its objectives. While differences of emphasis between, say, a statement in the House of Commons and a speech to a Tory party conference are probably unavoidable, there must be no misunderstanding inside the country or outside it about the basis under which the Government would agree to a peaceful settlement.

Ingredients

The likely terms which might be acceptable, as they have emerged over the past few weeks, contain three ingredients: first, the departure of Argentine troops from the islands, accompanied by the withdrawal of the British task force; second, an interim administration in which a group of non-combatant countries acting on behalf of the United Nations might play a central role; third, a framework for negotiations about the longer term in which the ultimate status of the islands is not determined in advance—that is, the British Government is prepared to consider a number of possible outcomes, including at some stage Argentine sovereignty, provided that the wishes of the islanders are taken into account.

Precision

Converting these points into a written agreement will be difficult, but not impossible, as long as there is a genuine will on both sides to seek a peaceful settlement. So far the will has been more apparent on the British than on the Argentine side. Statements from Argentine officials have been confusing and contradictory, arousing suspicions that they are spinning out negotiations in the belief either that they will come out on top in a military conflict or that political pressures within Britain and among her allies will in the end deter the British Government from trying to expel the Argentine troops by force. The United Nations Secretary General, who has played an extremely valuable role as mediator, has some responsibility for ensuring that the talks do not drag on any longer than necessary.

It is hard to see how the British could move any further in any substantial sense to induce the Argentines to be more flexible. Some Tory MPs believe that too many concessions have been made already, a view which we do not share.

It is vital that Britain continues to adopt the most reasonable position possible so that if the UN negotiations were to break down, the blame would be seen to lie plainly with the Argentines. The British Government, too, would need to explain—promptly and if possible before any significant military escalation took place—what was on offer and what the sticking point had been.

Over the past few weeks the Government's public stance has moved markedly. At the outset of the crisis, there was a sense of outrage and shock that Argentina had been able to accomplish the invasion in the first place. The task force was despatched in response. Yet Government policy was subsequently refined to a mixture of diplomatic and economic, as well as military, pressures.

Readiness

The Government also became increasingly aware of the need to keep the bulk of world opinion on its side. After the sinking of the General Belgrano two weeks ago—and the heavy loss of life involved—that international support seemed to waver. It now appears to have been won back, not least because of Britain's readiness to accept the UN Secretary General as a mediator.

The next few days may well be crucial. The Government needs to bear in mind these three considerations. International support matters and should continue to be cultivated, principally by underlining the reasonableness of Britain's position. Further military action, should the UN negotiations break down, should be kept as limited as possible: for example, a series of dispersed landings on the islands rather than a frontal assault on Argentine forces. Even if the hostilities escalate there should be—and should be said publicly to be—a continuing readiness to resume negotiations at any time.

The Canadian conundrum

THE COLLAPSE of the gigantic Alsands project to win oil from the oil sands of Alberta is more than a severe setback to the Canadian Government's controversial energy policy and its hopes of achieving self-sufficiency in oil by 1990. It places a question mark over a new industrial policy sketched out by the Trudeau Cabinet in a paper released last November, together with the budget.

In outline that policy was less interventionist than several ministers would have liked, constituting a change of general line from the National Energy Programme announced the year before. It made reassuring noises to foreign investors in Canada, and in particular suggested that the policy of bringing the oil and gas industry under Canadian control by 1990 would not be extended to other foreign-controlled industries in Canada.

The drift of the document was that Canada's abundant resources of raw materials, and especially of oil and gas, should provide the springboard from which the economy could leap from its sluggish performance in recent years. New resource projects were to act as dynamos for manufacturing industry with their demand for steel and high value technical equipment.

Problems

That strategy is not invalidated by the indefinite postponement of Alsands itself. But the problems that caused all but one of the Alsands partners to pull out of the project apply to many of the other ventures upon which the Government had pinned its hopes: the disappearance of oil and gas shortages in North America, the prospect of cost overruns, and punishing interest rates.

These adverse circumstances have already caused further delays to the much-delayed Alaska Highway pipeline intended to carry gas across Canada from Alaska to the main U.S. markets. If more of the so-called megaprojects are placed in doubt, the balance of the Government's nascent industrial strategy may be upset.

At bottom, the Government will face the perpetual conundrum of Canadian economic policy, whether to place the prosperity of the country on its resource base, or whether — if necessary by interventionist methods — to try to foster the manufacturing sector.

What greatly complicates the balancing of these approaches is the fact that manufacturing is concentrated in Ontario and Quebec, whereas oil and gas are found in the East and West. This regional pattern is accentuated by the fact that Mr Trudeau's Liberal Party has lost almost all popular support except in Quebec and Ontario.

Speculation

In the short run, the Government's dilemma has increased pressure from business and the provinces to bring down interest rates and to make a dash for growth. The accepted view in Ottawa has been that such a course would be self-defeating. Cutting interest rates unilaterally would depress the exchange rate which, in turn, would force up prices already rising much faster than in the U.S., Canada's main supplier and customer.

Speculation that a change of course may, none the less, be on the way, has already taken its toll of the exchange rate. The market has been quick to recognise that Canada's chronic current account deficit does not permit experiments with interest rates.

In the longer run Canada has two choices. It can try to put the current account to rights by depressing the standard of living, or it can follow its traditional policy of relying on capital imports to balance its external payments.

The latter course is in keeping with Canada's status as a country with enormous development potential. That potential exists despite the circumstances that brought about the Alsands fiasco. Even if the hydrocarbons off the Atlantic coast, in the Arctic, and in the Beaufort Sea are not required today, they will be needed in the future. In the interim the economy is likely to remain in the doldrums, with only cyclical relief.

Stability

Nobody knows how long that interim period will last. A world economic revival, not to mention possible political upsets in the Middle East, would quickly transform the picture. Canadian political stability would prove to be a major asset for its resource industries. In the meantime Canada would be unwise to prejudice its prospects of profiting from the turn-round by adopting industrial policies calculated to scare off foreign investors.

BRITAIN'S CIVIL SERVICE UNIONS

The Left reaps a harvest

By Philip Bassett, Labour Correspondent

Kevin Roddy being congratulated on his election as president of the Civil and Public Services Association last week

THE GOVERNMENT soundly defeated Britain's civil service unions in the unprecedented five months of strikes last year over pay. But the seeds of bitterness sown by that defeat were reaped last week in a series of sweeping left-wing successes in the unions which pose a new threat to settled industrial relations in the civil service.

The financial bill for the strike is beginning to come in. At the time the Treasury did its best to underplay the strike's effects on revenue collection, but Treasury officials now acknowledge that the unions' figures on the strike were in fact much more accurate than their own.

The Government has finally admitted that to hold down civil servants to only an extra half per cent on top of a much earlier offer of 7 per cent last year cost it some £500m in interest payments. That money is gone forever. Revenue flows are still not back to normal. About £570m in value added tax is still unpaid, though the amount outstanding was at one stage as high as £2.73bn, with some 588,000 VAT cheques held up.

Overtime working in the Inland Revenue has cut the £5.1bn in outstanding tax right down, though some of it will never be recovered. There are tales for instance of strikers stuffing the cheques into desk drawers, down lavatories and even into office cavity walls.

The bill for industrial relations, however, has not yet been fully presented. The legacy of bitterness of which so many union leaders have warned since the end of the strike, took concrete form last week in a series of major victories for the Left at the annual conferences of the civil service unions.

Landslide

The left in the unions—comprising members of the Militant Tendency, the Communist Party, the Socialist Workers' Party, the International Marxist Group as well as those on the left of the Labour Party—scored heavily in three key areas:

- Control—left-wingers swept to power in elections in the largest union, maintained their hold on the second largest, and made significant gains in the tax union.
- *Structure—the Left won in* each union on the important issue of legitimising the Left-dominated local committees which ran last year's strikes, and kept up the pressure to reform their unions in a way which would give the Left more control.
- Policy—left-wing supported motions were approved at all the conferences, often against the wishes of the leadership. They included affiliation to the Campaign for Nuclear Disarmament and rejection of the recent agreement to introduce new *technology in the civil service.*

On all these issues the Right was in disarray.

The gains won by the Left pose a threat to future relations with the Government. The landslide victory of the Left in the elections for the ruling national executive of the largest union will rule out compromise. Instead of having the upper hand, which they have clearly enjoyed since the defeat inflicted on the unions by the strike, the Treasury — and perhaps more particularly individual government departments and departmental managers—may suddenly find the left-influenced unions digging in their heels.

The Left's successes can best be charted union by union:

The Civil and Public Services Association (CPSA). Represents about 180,000 civil servants mainly in clerical grades, though with some key staff in data processing areas.

Left-wingers gained their most striking successes in this union, with the election to the union's presidency of Mr Kevin Roddy a hard line Militant Tendency supporter and the *rout of the Right in the executive* elections: a right-wing majority of 16-10 was transformed into a left majority of 23-3, including on the left seven Militant supporters and three Communists.

This result is a major triumph for the Militant Tendency not just in the civil service unions but in the whole of the British trade union movement. The CPSA is now Militant's main trade union power base.

Though the union has swung violently between left and right in the past, the significance of this year's result is that it was achieved with an election system which favoured the Right but which the Left, through harder work, has now learned to exploit.

The new system did away with the old bloc voting in favour of voting in individual *work places, but the Left has* managed to get round this. For example in the union's largest branch, at the Department of Health and Social Security's computer centre in Newcastle upon Tyne, where the CPSA has about 8,000 members the Left organised and got the votes at about 140 separate office balloting meetings—a feat of organisation which the CPSA Right could never dream of matching.

Despite stringent legal advice to the contrary the CPSA affiliated to the CND. On pay, the Left won its aim of deciding the union's annual claim at a special pay conference rather than leaving it to full time union officials. The Left won motions calling for the union to withdraw from the only agreements the unions have struck with this government since the strike—on new technology and on time off for trade union duties.

Finally, the Left overturned a previous executive decision by committing the union to campaign for the official recognition of the local Council of Civil Service Unions (CCSU) committees which ran the 1981 strike. The CCSU nationally has ordered that these committees be disbanded, but in fact they have flourished in many areas, increasing the power of the Left, undercutting the authority of the national leadership. As far as the Right is concerned they are also fulfilling the prophecy of one union leader during the strike who felt the unions had created in the committees a "Frankenstein's monster."

The Society of Civil and Public Servants (SCPS). Represents about 100,000 middle grade staff including many key computer operators.

The Left has held sway in the SCPS for a considerable time, led by two uncompromising brothers at the core of the union's organisation—Campbell and Leslie Christie, as deputy and assistant general secretary respectively. However, the SCPS has never been able to back effectively its left-wing policies because of the wide gap between its leadership and its much more moderate membership.

The hard left control of the union may be relaxed by a thorough-going review of its structure now being finished by a study team from Warwick University. The study's likely central recommendation — a new regional structure—would take power away from the centre, and its initial findings are increasingly disturbing for the left-wing leadership. On policy, the SCPS last week also rejected the new technology agreement and supported the recognition of the local CCSU committees.

> **The election is a triumph for the Militant Tendency not just in the civil service unions but in the whole British trade union movement**

Inland Revenue Staff Federation (IRSF). Represents about 58,000 staff in all except for the very highest grades in the Inland Revenue.

Though the CPSA victories for the Left were more public, those in the IRSF were perhaps more significant because of the union's traditional political neutrality. The growing left-right division in the union emerged last week as virtually open warfare, with right-wing leaders acknowledging that they had been all but routed. They gave notice of reprisal action against the Left.

The Left dominated the conference using the card vote of the larger branches in a manner unprecedented for the IRSF. *This raises serious problems for* the union. For instance, its largest branch, Manchester Taxes, with 4,000 members, cast its block vote for an SWP candidate standing for the vice-presidency of the union's Taxes sections on a mandating meeting at which 27 members turned up.

Eventually, the Right fought back and overturned the vote at a special general meeting at which about 400 members switched the vote to the Right's candidate. Four hundred members, though, are hardly more *representative out of 4,000 than* are 27.

On policy, the IRSF—astonishingly for a "vertical" union covering all grades—voted for the left-wing demand for a flat rate rather than percentage pay claim; for CND affiliation for the local CCSU committee: and for an immediate overtime ban throughout the Inland Revenue, which is now in force.

On structure, the broad Left—formally launched at the conference — is uniting around radical proposals from the left dominated Leeds Taxes branch, which were circulating among delegates as a "manifesto" for the IRSF. This calls for structural changes which would give more power to the increasingly left-influenced Taxes Section of the union over its still politically moderate Collection and Valuation sections.

First Division Association (FDA). Represents about 8,000 senior grade civil servants.

This union has no political alignment but even its members, who range up as far as Whitehall Permanent Secretaries, approved the union's support for the TUC's campaign against the Government's Employment Bill—which FDA members helped to draft.

- **Institution of Professional Civil Servants (IPCS).** Represents about 100,000 *professional and technical staff.*

The Left is small in this union, which is dominated by members working in the Ministry of Defence, who tend to be politically moderate. However, at the union's conference, which opens today in Bournemouth, motions down for discussion include such ardent left-wing causes as the five yearly election of all full time officials, which the Left has already won in the CPSA, and which could well be won in the IRSF next year.

Affiliation

In general terms, the unions are about to set up a new, centrally controlled fighting fund for industrial action which will have an initial balance of about £500,000 but which will be boosted by regular payments *every six months from all the* unions.

In party political terms the left has made little gain. No union is affiliated to the Labour Party, and though a motion seeking affiliation was approved by the CPSA conference, any move towards a ballot which would be legally required seems certain to be defeated, following the recent example of the National and Local Government Officers Association in which affiliation was thrown out by *ballot by nearly nine to one.*

The Government has tried to reduce the power of the civil service unions after last year's strike, with its pay offer this year based on market forces; with the long term Megaw inquiry into civil service pay, which is likely to find broadly in the Government's favour; with the provision of the Employment Bill which threatens industrial action by civil servants; and with the warning about the stopping of trade union dues during industrial action, which will effectively preclude a repeat of last year's strikes at selected computer and other key centres.

But meanwhile the Left though has picked other ground on which to fight. Left-wingers have recognised the defeat of the strike, just as left-wingers in the Labour Party recognised the defeat of the 1979 general election. Like the Left in the Labour Party, The Left in the civil service unions has turned its attention to internal structure and policy, where it has made considerable gains.

Like the Left in the Labour party, too, the result of the Left's gains in the civil service unions could be of far reaching significance.

Men & Matters

Banker's call to arms

While the distance between Frankfurt and Bonn can be negotiated by means of a speedy and very pleasant train journey along the Rhine the two cities might well be as distant in every sense as Buenos Aires and London when it comes to banking rivalries.

Little love is lost between two of West Germany's leading bankers, Dr Eckart van Hooven of Deutsche Bank in Frankfurt and Wolfgang Starke of the Savings Bank Association based in Bonn. Each man sees himself as the guiding light of *German retail banking.*

But mention of one small word — Visa — is sufficient to make the two bankers forget their rivalry and stand shoulder-to-shoulder as they face what they perceive to be their common enemy.

The activities of the big U.S.-based payments systems group, which is now seeking to penetrate the German market with its plastic cards, are not to the bankers' liking at all. Indeed both declare impacable hositility to the invader.

Starke says, "I must say to you that it is very difficult to discuss and co-operate with Visa. They are very complicated people. This is my conviction: there is no possibility of dealing with Visa."

Van Hooven says: "They are trying to market the Visa card through BMW dealers. German bankers must ask themselves if they really want a BMW dealer to issue a card managed by Bank of America from a base in Frankfurt."

Round at Bank of America Jim Haywood, who is trying to sell Visa cards to German customers, is undaunted by the big guns trained upon him: "We have just signed up an association of taxi owners round Dusseldorf. We are going to be more aggressive and break into this market."

More dispatches from the front will follow.

Ambitious

In a Chelsea street at the weekend a window was open to let in the breezes of a lovely May day and inside a young man was pounding a typewriter.

Hanging outside the window was a replica of a GLC commemorative plaque on which were the words "Watch this Space."

Boss bashing

"It's the same the whole world over . . . it's the employers who *get the blame." Such has been* the tenor of talks between Mr John Dixon, chairman of Australia's engineering employers, and his British counterparts these last few days. Both have a government of the Right and neither is altogether pleased with it.

Dixon, who is in Europe to study industrial relations, has had a typically robust round of negotiations with the Australian metal trades union over its campaign for shorter working time. The union will not abide by the findings of the conciliation court, he says. The Australian Liberal government is keen that the employers now take the union to the industrial court. But Dixon is refusing. He believes the union would not pay any fine. And he is not sure that the government would back the employers.

His counterparts in the British Engineering Employers Federation will have told him that they are not happy with the British Government because its employment legislation could disrupt closed shops and hence industrial harmony.

The British bosses are also a little sore with Norman Tebbit, Employment Secretary, for not bringing in their pet idea, a lay-off clause for all employees in the event of industrial disruption elsewhere making normal working impossible.

Dixon excites their envy because he already has it in the metal trades in Australia. And his government is bringing it in generally to cover all workers.

Try a tent

America's once-booming energy conservation movement, already slipping in the scale of national priorities as a result of the oil glut, has just been dealt another blow. Energy conservation can damage your health suggests a new report from the California-based Electric Power Research Institute. That body is a think tank set up and generously funded by the U.S. electric utility industry, it should be said.

Examining a sample of houses in the Boston area the institute scientists found that in those conservation-conscious homes where the owners saved oil by burning wood the fires made a considerable contribution to fouling the air—"reducing its quality" say the boffins primly.

And if you skip the log fire and switch on the solar power you will not be much better off. The institute has threatening words to say about solar homes. "The concentrated use of stone as thermal mass to absorb, store, and then release solar energy for space heat is cheap and practical. But it is now being re-evaluated because there is also some question about the hazard from exposure to radon."

Radon gas—a product of radium decay—emanates from rock products such as the brick, tile block, and concrete used in construction.

Without tears

The Stock Exchange Rowing Club snatched a pyrrhic victory out of a well-deserved defeat on the water a year ago when rowing against the Club Nautique de la Bourse in Paris. Our City gents simply left the rowing cup behind in England.

When the French rowers turned up at Henley on Saturday, determined to carry the trophy back with them by winning the fifth annual race in the series, the spirit of gamesmanship could still be detected in the air.

International rowing events are started in French. The Stock Exchange Eight jumped the start, their captain John Gill of Sheppards and Chase explaining later, "We didn't understand the language." The French Veterans Eight (grey-beards of over 35 years of age) also jumped the start saying later it was because they did understand the language.

As re-rows were considered a dangerous innovation which might disrupt the luncheon arrangements the doughty opponents were allowed to carry on. The Stock Exchange senior boat beat the French by a length and one-quarter while the Veterans achieved a dead-heat in their race—something that has only been done once in the history of the Oxford and Cambridge boat race.

Dominic Freud, also of Sheppards, who coxed the winning boat is now known to his team as Exocet after steering with devilish precision to sink a passing sculler during recent training.

Home game

When two elderly Viennese gentlemen chatted over coffee the conversation turned to football.

"I wonder how the Austro-Hungarian match will turn out?" said one.

"Who are they playing?" asked his friend.

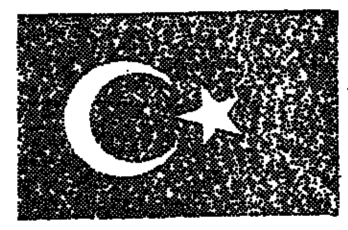
Observer

FINANCIAL TIMES SURVEY

Monday May 17, 1982

TURKEY

"Peace at home, peace abroad" was the motto of Ataturk, founder of modern Turkey. His heirs, the generals who seized power 20 months ago, have restored calm to Nato's flank. Economic growth has resumed. But there are still difficulties ahead.



Uneasy ride on the tiger's back

By David Tonge

BY THEIR own timetable, Turkey's generals are almost midway through their term in office. They must have expected that by now the going would have started becoming easier. They have achieved most of their *short-term objectives.*

Anarchy has been crushed. The authority of the state has been re-established. The economy has turned round and growth has resumed; this year GNP should increase 4½ per cent in real terms.

In the provinces, the crowds turn out to cheer General Kenan Evren, the Head of State. In the cities many praise the peace the junta has imposed. Yet the regime's mood is somewhat embattled and embittered, and often defensive.

The reasons are simple. Generals are practical men. They are accustomed to setting targets, giving orders, and seeing results. But the problems the men whose tanks seized power in September 1980 now face are not susceptible to simple solutions. Instead, it is a measure of the generals' ambitions that what they still wish to do is proving so difficult.

General Evren and his fellow commanders set out not merely to bring peace but to ensure *that this was the last time the* army intervened; it had done so previously in 1960 and 1971.

Their belief was that the country had strayed from straight and narrow paths of Ataturk, founder of the modern Turkish state. Their proposed remedy was to repair the pedestal on which he stands, inculcating afresh his values to an errant people, and giving the country a new breed of institutions and politicians to ensure his ideals were not betrayed.

By any standards, Ataturk was a formidable figure. Yet a world war has taken place since he died in 1938 and Turkey has had to live through the inevitable ferment caused by an industrial revolution and the spread of mass education.

Rural values and the traditional barter economy have given way to an increasingly urbanised society. Advertising and mass media have caused a revolution of rising expectations. And the economy has been unable to deliver.

Add to this the long-term problems of an often feudal and impoverished south east; racial and religious tensions fanned in recent years; unemployment of around 15 per cent—and the structural problems facing the generals become clear.

Further, the problems have been compounded by half a decade of inflation. Life was hard before the generals took over. For many it is now much harder. Real earnings of unionised labour have fallen sharply.

The take-home pay of the influential urban middle class of senior civil servants and salaried professionals has also plummeted, while these groups were the worst hit by the bankruptcy this winter of money-lenders to whom many had *given their savings to supplement* their income.

Part of the generals' dilemma is that increasingly they see that many such issues cannot be solved in the two years remaining until they are committed to holding elections. Many of them accept that a *substantial* land reform is necessary to help head off the unrest seen in some provinces before their takover. But a Bill to introduce land reform has just had to be withdrawn because of opposition in bodies such as the Constituent Assembly they selected. Equally, controlling population growth is crucial to prevent a further swelling of the unemployed. Here, too, pace has been slow.

Turning to the economic front, they would like to improve the efficiency of the state. And what they have done is striking. Public finances have been largely brought under control.

Restructuring of the country's $15.5bn debt has been completed and the country has again been able to nibble at the Euromarkets. The doors have been largely opened to foreign investment. Incentives are now provided to exporters, and some of the procedures have been simplified.

Yet much remains to be done. Only halting steps have been taken to increase the efficiency of the country's State Economic Enterprises, the large bodies which account for over two-fifths of manufacturing capacity. The swaddling clothes protecting Turkish industry remain almost as tight as ever. And it still takes a Cabinet decision—usually requiring the signature of every minister—to settle standards for, say, spark plugs and industrial boots or to decide whether the Turkish Ear, Nose and Throat Association can co-operate with its Mexican counterpart.

Then there is perhaps the biggest timebomb of all—unemployment now running at around 15 per cent. True Turkey has achieved a considerable turn round in its balance of payments and now expects to cease needing foreign aid in the next couple of years. But forecasts by the Organisation for Economic Co-operation and Development indicate that it will have to grow at annual average rates exceeding 6 per cent if unemployment is to be reduced.

If this is one problem which will outlive today's generals, a second is that of how tomorrow's political world will function. The generals' plans are clear. A Constituent Assembly chosen by them is now drawing up a new constitution which, vetted by them, will be presented to the Turks in a plebiscite. New electoral and party laws are to be enacted. They have promised *elections will be held at latest* by spring 1984.

Who will implement this constitution is less clear. In private some generals suggest that the people will naturally prefer those who have run the country since 1980 than those who ran it into the ground beforehand.

They would obviously like to ensure that, in contrast to what happened after the 1960 coup, there will be no return of the politicians they ousted. Indeed, former Prime Ministers Suleyman Demirel and Bulent Ecevit who is now in prison, are among the politicians they say will be banned from the first new parliament. But issuing such a ban is easier than enforcing it.

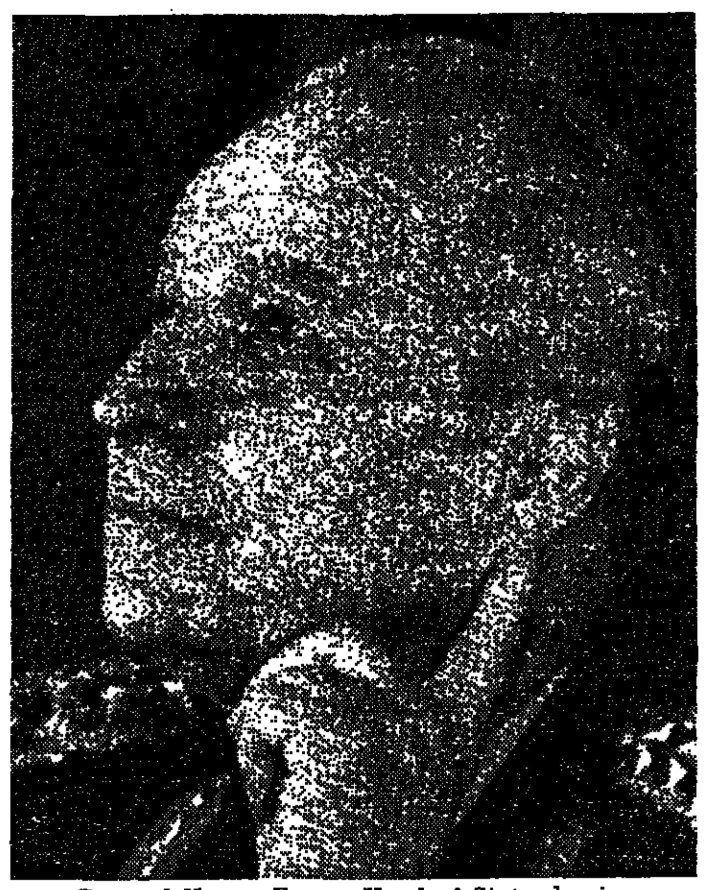
Like many other officers who have seized power, they seem increasingly aware how hard it is to get off the tiger's back. Further, they appear to realise that, however hard they seek to crush militant unionism, the fall in workers' living standards is going to lead to efforts to reverse the situation once civilian rule is restored.

Such issues create a dilemma at home, and problems abroad. The treatment of politicians and unionists; the extent of torture and the seemingly lackadaisical approach to punishing officers involved in the death of approximately 80 prisoners so far; the continuing use of the death penalty; the generals' growing tendency to crack down on the centre, non-violent left as shown in its recent arrest of the Peace Association; the prosecution and de facto censorship of newspapers—all these have caused the junta some awkwardness with its West European allies.

So far this has been most marked in bodies such as the Parliamentary Assembly of the Council of Europe—which only irritate Ankara. Indeed its reaction has markedly avoided threats of retaliation. Western governments have been more restrained in their public comments and the Turkish generals accept their position south of the Soviet Union means they have to act with particular circumspection.

True, their relations with the Middle East are flourishing. True too, that in public the U.S. has stood staunchly beside Ankara. But here, too, there are limitations, both in how much aid the U.S. Congress will provide and how far Turkey feels able to risk its Moslem links by acting, as it did in the 1950s, as an outpost for the West.

But ultimately the generals will be judged by the success with which they do themselves out of a job. After each of the country's last three major economic crises, the armed forces have intervened and been involved in seeing through the ensuing austerity programmes. Each time their intervention has been tougher. And each time the politicians bear some responsibility. Whether this regime will be able to break that unhappy mould is a moot point.



General Kenan Evren, Head of State: hoping to find a new mould for politics

BASIC STATISTICS

Area: 781,000 sq km

Population (1981): 45,747,000

	Turkish lire	US$
GNP (1981):	6,623 bn	60.1m
Per capita:	144,745	1,313

Trade 1981 (US$bn):
- Total exports 4.7
- Total imports 9.1
- Industrial exports 2.3
- Agricultural exports 2.2

Total disbursed foreign debt (end-1981): $15.5bn

Foreign exchange reserves (January 1982): $1.28bn

Current account deficit:
- 1980 $3.66bn
- 1981 $2.29bn

Inflation 1981 (annual average): 36.58 per cent

Currency: £1=TL 268.41, US$=TL 147.95

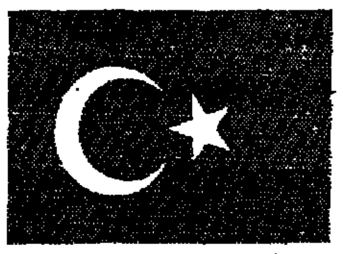
CONTENTS

Editorial production: Arthur Dawson
Design: Philip Hunt

In this survey, names have been given largely as they are written in Turkish. However, it has not been possible to include the cedillas under some letters "c" and "s". These cause the letters to sound as "ch" and "sh". A normal Turkish "c" is pronounced like the British "j".

TURKEY II

FOREIGN POLICY



Modernisation of defence a priority

Ankara's importance to the West has been underlined by Poland and Afghanistan. Yet, as these two pages show, the country has trouble with its allies—as well as with its potential enemies. The Iran-Iraq war casts a slight shadow over developing links with the Middle East.

T. E. LAWRENCE'S famous encomium on the Turkish soldiers he occasionally tried to kill, tough men hardened by life in Anatolian villages and easy to discipline, is held to be as true in 1982 as it was in 1916.

Any discussion of the defence of Turkey should begin with the quality of its private soldiers, even though their most recent major action, in Cyprus in 1974, showed no spectacular brilliance and they are just as likely nowadays to be conscripted from the wretched slums of Ankara as the haggard villages of Anatolia.

The Turkish armed forces are the largest in Europe after the Soviet Union and amount to the best part of 600,000 men, including land forces of more than 470,000. Turkey has been a member of Nato since 1952 and shows no sign of real dissatisfaction with its exposed position on the alliance's south-eastern flank.

The country enjoys a strong military tradition and the armed forces are a respected force in society despite, and partly owing to, their tendency to take over the Government of the country every 10 years or so. With defence spending now running at about 20 per cent of national Government expenditure, the armed services cannot justifiably complain at their share of an albeit meagre cake.

Their chief disabilities are two. First, the bulk of the equipment in service is of Korean War vintage. The partial U.S. arms embargo from 1975-78, imposed in response to the Cyprus action, and the economic crisis of the late 1970s hindered attempts to re-equip.

The vista of Turkish-made ordnance in front of the military museum in Istanbul embodies a tradition of five centuries but Turkish manufacture can only meet needs for warship hulls, mortars, and light arms and ammunition. Last month the U.S.-Turkish high-level joint defence group was stating the obvious when it was announced in Ankara that the modernisation of the Turkish armed forces was a "priority objective."

There are particular deficiencies in armour, anti-tank weaponry, aircraft of every sort, and heavy artillery. There appears to be no equipment to meet an attack with non-conventional weapons.

Second, all but around 80,000 men in the services are conscripts usually serving 20 months, although a Turkish worker overseas can buy a reduction to a couple of months with hard currency. The result is that an immense proportion of the military's resources is devoted to training, some of it rudimentary indeed.

Suspicion

Whether these are severe disabilities depends on what the Turkish armed forces are held to be for. Given the deep-seated mutual suspicion between Turkey and the Soviet Union, the Nato mission is easily stated. It is to confront Soviet aggression in eastern Turkey, to withstand Warsaw Pact action through Bulgaria and into eastern Thrace, and to guard the Mediterranean approaches from the Black Sea.

Deployment reflects this mission. The largest and best equipped of Turkey's four full armies is the first in European Turkey. Its reinforcement or evacuation are presumably the reason for Turkey's relative wealth in landing craft, which causes occasional hysteria in Greece.

The Second Army is based in the south-east—and the third in eastern Turkey, where the soldiers seem content to serve in conditions and with equipment that would stretch another European army. The army of the Aegean, tactlessly named as it is, has two full strength brigades but is largely devoted to training.

The navy, equipped with a mixture of largely used U.S. and new West German warships, is something of a poor relation. Soviet military use of the straits into the Aegean is regulated by the Montreux Convention, although the passage in 1976 of the Black Sea-built Kiev, billed by the Soviet navy as an anti-submarine cruiser (after a British precedent) but regarded in Nato as an aircraft carrier outlawed by the Treaty, would suggest Turkey's ultimate powerlessness in the matter.

Turks also like to point out that the Soviet Union has stationed at least 15 divisions facing Turkey, which would be important for no other reason than the current belief that Moscow will need 400,000 men to be comfortable in Afghanistan. They also point to the early warning facilities they provide after the closing of U.S. stations in Iran and the action Turkey would be bound to take on the flank of a Soviet push into Iran.

In addition, Turkey stations some 15,000-20,000 men in Cyprus, although Ankara seems content with the once and for all advantage it gained in 1974.

Militarily, most Turkish officers would consider this quite enough but there is clear U.S. interest in some form of Turkish role in the event of a crisis outside the Nato area, in other words the Gulf.

The question whether Turkey would provide facilities or pre-positioning for a U.S. rapid deployment force (RDF). This would appear to be more a subject for general debate than a direct U.S. approach to Turkey.

At present it is safe to say that the Turkish armed services are flattered, see some advantage (in terms of equipment) in leaving the question open, but do not wish to damage economic relations with the Arab Gulf states whose attitude to the RDF is equivocal in the extreme. "In the event of crisis in the Gulf, we would not sit still," said one Turkish expert. "But we do not want the matter discussed now." But they are reluctant to take on new responsibilities.

Does all this amount to deterrent in the Nato context? One frightening possibility is that Turkey will feel obliged to close the straits—as the Convention permits—at a time of war and this could force the Soviet Union to act. In these conditions, it is generally accepted that Turkey would not be able to hold back even conventional forces for more than a few weeks, although eastern Turkey might later provide ideal conditions for mischief on the Afghan pattern.

Much of the time of the U.S.-Turkish group, which was set up last December, is taken up with Turkey's request for 293 new combat aircraft, for its two tactical air forces—to be manufactured in the country.

British and French interest in the project has quite evaporated now it appears that the foreign partner will have to put up at least 98 per cent of the cost.

U.S. officials do not expect the project to materialise in the foreseeable future although officials of Northrop, for one, are examining financing possibilities from within Turkey.

Anxious

Both U.S. and West German officials agree that these programmes will only help Turkey stand still and the West Germans are somewhat anxious that the whole pattern of German aid could be disrupted by the Bundestag's attitude to the military government's handling of foreign politicians and trades unionists.

Any visitor to a place such as the Kurdish town of Siverek, in south-east Turkey, where MPs almost outnumber residents, will note that the armed officers have a crucial function in keeping the peace at home in addition to the gendarme, itself an important arm of some 125,000 men.

Since the army also sees itself as the prime instrument for inculcating Kemalist notions, the Turkish language, reading and writing, the rudiments of family planning and the outside world to Lawrence's villager, then Turkey's Nato partners cannot expect a real improvement on the present bodged job.

James Buchan

Ambivalent attitude to Arabs

TURKEY'S relations with the Arab world and Iran have been growing apace for some years. Nevertheless, at heart they remain ambivalent. In recent times, economic benefits have undoubtedly been the main reason for closer ties, and Turkey has done exceedingly well out of these. There is a *growing impression of organisation* in the area, fitting in with the implementation of national economic policies.

But politically, although there has been a marked shift towards Arab views on the *Middle* East, there is uncertainty. Earlier this year in Bursa, General Kenan Evren, *inadvertantly* drew attention to the underlying dichotomy, saying: "Turkey is at once a European and Middle East country."

Then in April Mr Ilter Turkmen, the Foreign Minister, prompted by Israeli actions in the Gaza Strip and West Bank and the recent shooting incident at the Dome of the Rock in Jerusalem talked officially of the fact that "the Middle East problem can only be solved with the restoration of all the inalienable rights of the Palestinian people, including their rights to establish their own state in their homeland." But Turkey abstained from vetoing Israel's virtual annexation of the Golan Heights — Syrian territory occupied by Israel in 1967.

Politics over the years may have been confused—and still are—but latterly the economic imperatives have become dominant.

Confused

To some extent, the army's coming to power in September 1980 and its quashing of civil strife meant that it had more concern for domestic rather than foreign issues, even those affecting immediate neighbours. However, *mainly* under the pressure of economic interests, Turkey's Middle East policy has picked up and broadly maintained its skill in avoiding being drawn into taking sides in local Arab disputes. Indeed, in Taif, Saudi Arabia, at an Islamic summit, attended for the first time by Turkey at prime ministerial level, Mr Bulend Ulusu was asked to participate in a peace-seeking mediating team—unsuccessful as it turned out—in the war between Iran and Iraq.

Above all it is business which has been booming. Part of this stems from Turkey being unable to compete within the EEC, either directly or because of tariff barriers. Exports to the Middle East are dramatically up, and some aid is coming in—*Saudi Arabia, for example,* has provided $400m in untied project loans since 1980. Transit traffic has become a useful contributor to balance of payments earnings. Since Syria closed its borders to any goods for Iraq, Turkey has become *a vital route for goods in and* oil out of Iraq.

The 150,000 or so Turkish workers in the Middle East provide through their remittances another important source of income. Turkish contractors continue to thrive, although ironically they are beginning to be hit by the effects of falling oil prices, which in its own mirror-image way helps Turkey's current account balance. Libya, for example, is pressing to have Turkish construction work paid for in oil.

Arab banking resources are being tapped. Last August, for the first time, Turkey raised a syndicated loan of $100m for export pre-financing from a group of Arab banks led by the Libyan Arab Bank. The Islamic Development Bank has been providing loans since March 1980. Arab investment is actively sought.

Political ties

Turkey's political ties with the Arabs have in modern times passed through various stages and stresses. As time has passed, the Arabs have broadly come to terms with Turkey's membership of Nato, its *relations with Israel (eased slightly* by Egypt's Camp David accords and peace treaty), and its being, as a result of Ataturk's reforms, a secular Moslem state. In longer historical perspective, the different phases of Turkey's relations with the Middle East are clearly identifiable.

The first phase, reflected the mutual hostility and suspicion of both sides as the Ottomans attempted to hold onto their crumbling empire. With the emergence of Ataturk after World War One, Turkey turned *more inwards.* As *the state* was secularised and "westernised" the Arabs were largely ignored.

The 1950s and 1960s saw perhaps the period of Turkey's greatest alienation from the Arabs.

Partly under the changing nature of relations with the United States and Nato, *Turkish* attitudes towards the Arabs began to change in the mid-1960s. The 1967 Arab-Israeli war gradually induced new attitudes towards Israel and awareness of the plight of the Palestinians.

Today, Turkey is the first member of Nato to have what amounts to diplomatic relations—since 1979—with the PLO. On the other side of the coin, in spite of being one of the first countries to recognise Israel, relations have been downgraded.

On the Israel-Egypt agreements, Turkey has been cautious, welcoming them on the one hand, to the extent that Jordan might join in, but also supporting the EEC Venice declaration, which is outspoken *in its direct support of the* Palestinians.

The rise in oil prices after *the 1973 Arab-Israeli war* was undoubtedly a key influence on relations.

Transit traffic

The combination of Turkey's fortunate geographical position and the Iran-Iraq war has boosted income from transit traffic. The number of TIR trailers passing through have risen from over 112,000 in 1980 to more than 204,000 in *1981. According to Mr Umut* Arik, who directs economic affairs in the Foreign Ministry, Turkey's direct earnings, including rail and sea links, amount to $400m. As Mr Osman Shiklar, governor of the Central Bank has said: "Today, Mersin harbour is full of goods to be transported to the *Middle* East, *and these* are carried by Turkish porters."

Perhaps the most sustainable *aspect of Turkey's relations* with the Arab world and Iran is trade. Armed with a more outward looking policy, its exporters should be able to offset the cost of oil imports with agricultural and industrial products. *In 1982, the Middle East and North Africa overtook* the EEC as Turkey's main trading partner.

Mr Kocman in April maintained that this area was taking half of Turkey's exports, and Mr Arik, who put Iran and Iraq's imports at $430m and $540m respectively, hopes that each market will be worth $1bn in 1983.

More importantly, Turkey has been probing further afield. This applies particularly to the Gulf, where trade, Saudi Arabia aside, has risen from $55m *in 1980 to $1.5bn. General* Evren visited Kuwait last March, and its ruler, in the previous September, was the first Gulf head of state to visit Turkey. Contacts have been made with Algeria, and last month Tunisia held a special week in Ankara.

These economic links may survive because of the requirements of both sides, but politically it would be an exaggeration to go along with the poet Mehmet Akif, who in 1913 wrote "the Turk cannot live without the Arab. Who says he can is mad. For the Arab, the Turk is his right eye and his right hand."

Anthony McDermott

هكذا من الأصل

Pride hurt by Western critics

TURKISH GENERALS and diplomats are impatient. They have stabilised the south-east flank of Nato, yet Alliance members show them only limited appreciation. They spend hours telling visitors of their commitment to restoring parliamentary democracy by spring 1984—then many of these same visitors return home and issue reports castigating them.

They hear Western leaders condemn terrorism, but they see little done against Armenian gunmen who have shot down over 20 of their diplomats. Now the same Western countries who laud their economic programmes have been refusing to hold a formal pledging session to provide them with aid.

"How can those who criticise us believe that economic destabilisation and reducing our relations with Europe will help restore democracy," asks Mr Ilter Turkmen, the career diplomat whom the generals made their Foreign Minister.

Certainly the gulf is large. On the one hand is a ruling Turkish class steeped in memories of past imperial grandeur and inherently resentful of interfering foreigners. On the other are Western Europeans continually told how Turkey has hitched its wagon to the West and consequently expecting some recognition of liberal values.

Some of the more impatient young Turks in Ankara would have Turkey turn its back on Western Europe. Indeed, six months ago it almost seemed as if the U.S. was prepared to step in to fill Europe's place. But, despite recent high-level exchanges, in private U.S. officials make it clear this is not a realistic option.

There is a limit to the aid the U.S. can provide. The U.S. has already been supplying over one-third of the annual $1bn economic aid which Western countries have pledged and U.S. funds are tight. Further, Washington has begun discreetly to hum Europe's tune that a better human rights record will help Turkey's friends to help it.

Another alternative which some armchair strategists like to propose is that Turkey might play its "Moslem card." Such suggestions derive from the country being both now an active member of the Islamic Conference. Around 40 per cent of both its exports and imports are now traded with the Middle East and North Africa. It has $12bn worth of contracts in the area. It is increasingly losing its better brains to the area. Countries like Saudi Arabia are providing valuable aid.

Turkish officials make it clear that the country's opening to the Middle East is never intended as an alternative to its Western ties — Nato, the Council of Europe, and, as an Associate Member, of the EEC. Instead, as one senior official puts it "Far from being in competition with West Europe our activities in the Middle East add another dimension to the West and help extend its influence."

The result is that, like it or not, Turkey's leaders accept they have to maintain a working relationship with Europe. It is thus with petulance rather than threats that they have responded to public Western criticism of their regime.

Among the harshest criticisms was the resolution adopted by the Parliamentary Assembly of the Council of Europe on January 28. This aired the possibility that some states would take Turkey before the European Commission of Human Rights. It also raised most of the other main accusations against the regime; its treatment of politicians and closing of political parties; its suppression of union activities and arrest of unionists; the extent of torture—Amnesty International believes over 80 people have died while under arrest; and concern over the restoration of democratic rights.

Reluctant friends

Yet the speech on the Council of Europe resolution by General Kenan Evren, the Head of State, was notable for what it did not say. Wounded pride and dignity were evident. Any suggestion of hasty reprisals was not. Instead the approach has become one of dividing critics into friends and enemies—and discounting the latter while relying on the former to help maintain Turkey's links with the West. So far this approach has worked well. Countries like Britain are extremely reluctant to see any of Turkey's organic ties with Europe broken.

Every now and then the Dutch and Scandinavian governments seem poised to become more active, but so far have not. Instead it is one of the curiosities of the present that despite concern over Turkey being overtaken by other international issues, even Turkey's friends are now reluctant openly to press its cause.

One instance of this is seen in the EEC. Here the local press has been seeking connections between the EEC's measures against "dumped" Turkish cotton and Turkish shirt and T-shirt exports. At one point, Mr Leo Tindemans, the Belgian Foreign Minister, even hinted that a solution to the political problems with Turkey might help a solution of such economic disputes. But in general it appears that the EEC is doing no more against Turkey in the field of trade than it does with other countries.

Far more significant is the EEC's continuing failure to act on the Fourth Financial Protocol which would provide Turkey with around $600m of economic aid over a five-year period. This protocol has now been delayed for six months. Such is the mood in Europe that it was not even raised at the last meeting of European heads of government.

A second instance of reluctance to side with Turkey is, of course, the delay in holding the aid pledging session of members of the Paris-based Organisation for Economic Co-operation and Development. The $1bn provided by last year's session is equivalent to about 40 per cent of the country's financing gap this year. More aid will be needed next year.

The main countries can still be expected to find some method of assisting their ally but are not keen to press the issue publicly. They fear some countries would refuse to join in—even if some of Turkey's critics say they would be happy to slip aid through in the form of export credits rather than more visibly through programme or project credits.

The net result of all this is that Turkey finds itself often obliged to act more passively than it would like. For instance, when French ministers appear to condone Armenian activities

—perhaps the matter causing greatest fury in Ankara—it is hard for the regime to retaliate.

All this is a strange situation for a country with Turkey's geo-strategic importance. It sits across Soviet routes south to the Middle East. It ties down up to 15 Soviet divisions. It "pinches the giant's nostrils," as Churchill put it, by controlling the Soviet exits from the Black Sea. Yet in many ways it is its allies rather than its enemies which now tie its hands. Adding to the need for Ankara to act circumspectly are the anxieties caused by all its seven neighbours:

- Iran and Iraq continue at war—and have restless Kurdish minorities.
- Syria is again proving awkward by lining up against Iraq.
- Greece has a new tough-talking government.
- Bulgaria has yet to prove its commitment to stopping arms smuggling.
- The Soviet Union is becoming restless at Turkey's apparently increased sensitivity to U.S. concerns. Ankara may even be weakening its opposition to allowing its military facilities to be used for "out of area" operations by Nato.

What can Turkey do? The only answer at present in Ankara is that heard for the past few years, of opening to its neighbours while remaining linked to the West. The link, however, is liable to keep chafing at both ends.

David Tonge

Uneasy balance reached in conflict with Greece

IT COULD have been much worse. For the past six months Nato has been crossing its fingers and hoping Greece and Turkey would come to terms with each other. Instead, suspicion between the two putative allies has bristled.

Dr Andreas Papandreou, the Greek Prime Minister since October, continues to talk of "the threat from an allied country, Turkey, against the national, inalienable sovereign rights of our country in the Aegean and Thrace."

In Ankara, Mr Ilter Turkmen, Foreign Minister, speaking in his official residence overlooking the city, says: "The most dangerous thing for the Greeks would be to translate their words into action, in particular with regards to the Aegean. We hope the Greek government clearly understands that a conflict would be fatal."

Yet to their allies' relief an uneasy balance does seems to have been reached. In January both sides seemed to be heading for a clash. Today Athens seems well aware of the dangers involved, while Anakara appears to prefer disdain to attack.

"Papandreou is a politician. Most of the things he says are for domestic consumption," is how Mr Turkmen puts it.

True, the Aegean nexus causes fuss for Nato. In December Greek demands for guarantees against Turkey led to the Alliance's ministers for the first time having to end a meeting without a communiqué. This month, problems over who should command and control Nato forces during the exercise Distant Drum '82 caused Greece to refuse to allow its troops or its seas to be used. Further, there has been no progress in establishing a Nato command structure in the Aegean.

But the degree of provocation by both sides has been kept to traditional limits and in Ankara the main problem appears to be one of frustration. Why does Dr Papandreou appear to give one message in public and another in private? Does he recognise the 1976 Berne Agreement between the two countries, designed to avoid provocative acts in the Aegean?

Does he plan to declare a 12-mile limit for Greek territorial waters, a move which would block Turkish access to world seas and be considered a casus belli? Why does he refuse a formal dialogue between the two countries? What are his overall policies?

These are the questions the visitor hears in Ankara—and there are no easy answers.

The underlying issues go back to at least the post-war period when the handing to Greece of the Dodecanese Islands off Turkey's coasts upset the careful balance established by the Treaty of Lausanne in 1923.

They involve not just the territorial waters of the islands—and here Turkey voted against the United Nations Law of the Sea which gives considerable rights to islands—but also the air space and continental shelf in the Aegean.

The Greeks fear that the Turks cherish the islands and wish to surround them with zones of exclusive Turkish influence so that they will eventually come under Turkish sway. The Turks insist they have no such aim but are merely determined that the Greeks do not use their rights over the islands to undermine Turkey's legitimate interests in the Aegean.

Religion

The fundamental issue is that of trust; and when trust is as lacking, as at present, it is hardly surprising that other issues should come up too. The latest to surface is that of the religious foundations.

When the Greeks explain this it appears an issue which should stir the whole of the West. For after years of pressure on the pitifully diminished (it has now shrunk from 107,000 to 5,000) and ageing Greek community of Istanbul, the foundations which buttress the Oecumenical Patriarchate appear under threat.

Ultimately this could cause the spiritual head of the world Orthodoxy to leave Istanbul. In turn this might open the way for Pimen, the Patriarch of Moscow to take over as spiritual leader of the Orthodox Christianity, and thus give an opening to the Kremlin.

This particular issue has come to a head since a court decision in northern Greece affecting the state land used by the local Moslem community. Many of the 100,000 Moslems have expressed concern and the Turks are now threatening legislation designed to allow them to take over foundations.

In their view they are only responding to existing legislation on the other side of the Aegean. But that is what the Greeks said when they introduced their own legislation a year ago.

Just as worsening relations between Athens and Ankara have begun to blight the life of the minorities in both countries, so it has cast its shadow over the Cyprus dispute.

Yet here its effect has been less. Admittedly, it has taken some time for the new Government in Athens to co-ordinate its approach with that of President Spiros Kyprianou. Even today strains can emerge over the relative weight to be given to "internationalising" the problem (the approach that Dr Papandreou finds more congenial) and continuing the intercommunal talks—which for the time being President Kyprianou believes is necessary.

Last August the Turkish side slightly broke the deadlock in the negotiations between the two communities by finally spelling out how much of the island it wished to keep. Its proposals involved retaining around 32.4 per cent of the 38.6 per cent of the island which it seized in 1974.

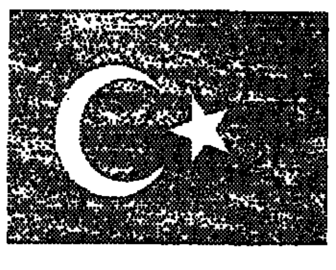
(Believing that Dr Papandreou had a chance of winning the forthcoming Greek elections, it preferred to make its proposals before he did so rather than afterwards when they would have seemed a response to him.)

Now the Turkish side has tacitly accepted the United Nations "Evaluation" of both sides' proposals which would give the Greek Cypriots at least 70 per cent of the island as a start. In Ankara the Turks welcome the recent decision to speed up the pace of the intercommunal talks.

But on most issues the two sides are far apart. The fact that even now the Greek Cypriot Presidential elections due next February are beginning to dominate Greek thinking is deeply disturbing to the Turkish officials involved. They argue that if Cyprus is ever to be solved it should be in the two years before civilian rule is restored in Turkey and the issue becomes a matter of party politics.

The present state of Greek-Turkish relations makes early developments here seem somewhat unlikely.

D.T.



Two aspects of industry. James Buchan looks at the private sector; the state sector's struggle to be more competitive is examined by William Dawkins

Signs of industrial recovery

INDUSTRY IN Turkey presents at first a somewhat confusing picture. While capacity use remains at the dismal level of around 55 per cent and real interest rates of up to 40 per cent are in force, dividend payments of 60-70 per cent have become so common that they excite no comment.

The constant in any discussion of Turkish industry is the Government's stabilisation programme, launched at the beginning of 1980 under the control of Mr Turgut Ozal, now Deputy Prime Minister, and pursued with rather greater vigour since the imposition of military rule in September of that year.

In response to attempts to curb deficit spending and the money supply, domestic demand geared to inflationary expectations contracted sharply, while a series of incentives and tax rebates have encouraged exports. The overall result has been a shrinking of the domestic economy, but the effect has varied widely according to sector and size of company, as the following three case studies from the industrial zone at Bursa suggest.

In general, those private sector companies geared to consumer demand did very badly last year and are not greatly optimistic for 1982. Those concerns already exporting, and those who immediately joined them, have done better.

In recent months, the Government's grip on money supply appears to have slipped and this is reflected in higher rates of inflation. The companies noted signs of life in the domestic market.

Polylen sets sights on export growth

POLYLEN, a medium-sized company, which manufactures *polyester yarn for* the textile industry, is not doing too badly and paid a 60 per cent dividend last year. Although the six Turkish companies involved in the business cannot meet the industry's demand for yarn, Mr Cahit Rustem, the plant manager in Bursa, says the company must still export to survive and to *do that it must grow.*

Trebled

Of its TL 2.6bn turnover last year, 36 per cent or $1.3bn was generated abroad and the allocation for exports this year is treble that. Exports would be impossible without the incentives, Mr Rustem says, because *of higher* than European production costs. Indeed, the company has found increasing difficulty in the market it opened in Europe and is now deriving export revenues with an even hand from the two parties to the Gulf war.

Mr Rustem says that quality control has improved in response to the export challenge and he now intends to double the yarn capacity. At the time of the military takeover, the company was taken over mainly by the Kutlutas concern, injected with overseas construction funds, and helped by a tripling of capital to TL 450m.

Oyak Renault aims to restore balance

MR CAN GOKNIL, general manager of this French-Turkish *passenger car manufacturer*, should have no reason to curse the generals who seized power. On that day, September 12, 1980 his company was in the middle of a six-week strike. Strikes were immediately outlawed, and the company could resume production of the 1300 cc Renault 12 car it has been making in Bursa since 1970.

In fact, the company's situation, already bad, deteriorated sharply through 1981. That year it produced a mere 12,700 units from its 35,000 capacity, had to cut its workforce further (to 1,820 from its peak of 3,000) and turned in a record loss of TL 420m.

"The buyers' market turned into a depositors' market," Mr Goknil says with a sigh for the days before deposit rates soared, when people used to queue for months to buy his product as a hedge against inflation. His own financing costs over the two years since the start of 1980 have risen by an average of 75 per cent and investments, financed by foreign credits of $25m are proving ruinous because of the steady devaluation of the Turkish lira.

As part of its agreement with the Government, Oyak Renault must export a portion of its production — 4,350 cars to Egypt and West Africa and 4,500 engine-gearbox units back to France, the whole worth TL 21m last year. Tax rebates on these units as a portion of production, customs exemption on imported components for them and interest rates of around 29 per cent for export production mean that the company does not lose money exporting, Mr Goknil says.

Otherwise, the situation is scarcely promising. The Turkish private sector is traditionally heavily leveraged, but paid up capital of only TL 650m was proving clearly inadequate. It is a virtue of Oyak Renault's size that Renault France, Oyak (the army pension fund which is one of the countrys larger financial institutions and the Yapi ve Kredi bank could be bullied into a capital increase to TL 2 bn. "*They had no choice*," Mr Goknil says.

"Ours was an artificial situation," he says and believes that the auto industry (which is protected from competitive imports) can find a place in this brave new world. When he says that Oyak Renault will come back into balance this year, this is largely a recognition of necessity. First quarter production of only 2,500 units scarcely inspires hope.

Financing gap worries Kimsan

WHILE THE large and medium-sized companies could afford to approve the new export-oriented government policy. Mr Sadik Ertok, manager of the Mali Kimsan concern, was refreshingly frank. "I know nothing of Mr Ozal", he says. "Go ask him *about our problems*".

Kimsan makes regenerated rubber for use in the tyre industry, employs 48 people, is dependent entirely on domestic demand for automobiles and withheld its dividend last year for the first time in its 11-year life. Although turnover and profits have continued to be lifted by inflation, amounting to TL 45m on TL 110m last year, Mr Ertok is now stockpiling half his production and is faced with a severe financing gap. Attempts to persuade 480 shareholders, including the Turkish railway pension fund, to double the capital to TL 40m was a failure, because Mr Ertok, unlike Oyak Renault, cannot bully.

Mr Ertok has never borrowed and does *not wish to start now.* His chances of survival must depend on the truck market, which is relatively buoyant because of the expansion of the overland trade with Iraq, and on signs of life in passenger car purchases.

State sector finds path to efficiency proves painful

SUMERBANK, the giant state-owned textiles and banking concern, increased its cotton and wool production by 25 per cent during the past year, according to Mr Sukru Akgungor, the general director.

At the same time it shed 1,440 people from its labour force, slimming it down to 37,525.

In spite of this, Mr Akgungor, a former head of the State Investment Bank, and once a section head at the Ministry of Finance, is the first to admit that there are problems.

Sumerbank is a microcosm of Turkey's troubled public sector, which consists of 35 State Economic Enterprises (SEEs) and owns 47 per cent of the country's industry.

The SEEs have long been characterised by political patronage, political interference in decision making, inefficient and transient management and over-staffing. A heavy reliance on cheap loans from the central bank—now sharply curbed—an unwieldy investment strategy, big losses, and a formerly ridiculous pricing system have all combined to make the SEEs a heavy drain on state finances.

But the fact that Mr Akgungor is still in his job after 2¼ years indicates that in Sumerbank at least, there may be a change for the better.

Short tenure

Previously, the average tenure for an SEE manager was less than 10 months, mainly due to the fact that his salary was *as little as half that of his* private sector counterpart. To improve this, the Government last year gave managers salary rises of between 60 and 120 per cent. It is also beginning to provide them with contracts of up to five years.

Two years ago Ankara embarked on a campaign intended to make the SEEs pay their own way. It even seemed ready to allow one—Isdemir, the Iskenderun iron and steel plant—reach the brink of closure to prove its point. But the outcry that could have greeted a collapse has caused the generals to think twice. There are signs that the Government's resolve is softening. After all the Prime Minister of Turkey is still the biggest in dustrial employer in the West, with about 700,000 people working in the SEEs.

This number is gradually shrinking due to a government freeze on half of the SEE's vacancies in most sectors. However, managers are not allowed to dismiss redundant labour. Instead, the Government's policy is to shift the less productive workers into more productive areas.

An official from the State Planning Office (SPO) said that the Government feared social strains would intensify without this ban.

The most important part of Ankara's austerity drive was to deny the SEEs cheap loans from the central bank, except for those in the agricultural sector responsible for buying farmers' crops. As a result, the cost of borrowing for most SEEs has risen from around 10 per cent to between 50 and 60 per cent. Their borrowing from the Treasury decreased from TL 49.8bn (£184m) in 1980, when the measure was introduced, to TL 22.2bn last year.

When money was cheaper, the SEEs used to shift some of their debts onto the private sector in the form of unpaid arrears to contractors and suppliers. Tougher credit could mean a repeat of this experience.

Another major element in the drive to reform the SEEs was Ankara's decision two years ago to allow managers to set their own prices. In the case of Sumerbank this resulted in 25 per cent rises for some products last year. In other SEEs, the rises have been as much as 400 per cent in two years.

However, the Government has kept the right to decide the price of some basic items like *sugar, coal, petroleum,* and electricity used by some industries and services like metallurgy and maritime transport.

But even these have seen some hefty increases.

The extra income from these price rises is one reason for a decline in the SEE's net operating loss (excluding taxes and government subsidies) from TL 23.1bn in 1980 to TL 6.6bn last year. In 1979, 12 SEEs made a net loss. In 1981 this number was reduced to seven and the Government expects three—fertilisers, railways and maritime transport—to make a loss totalling TL 47m this year.

In another attempt to make the public sector more efficient, the Government is cutting back on the massive prestige investment projects which have been a hall-mark of SEEs in the past.

Many of these projects have been scrapped and Ankara's policy, as decided by a special committee set up to reform the public sector, is to create no more SEEs. Managers have been instructed to concentrate *on improving* operating performance and cutting costs rather than on expanding.

Sumerbank, for example, is conducting a major rationalisation programme, with the help of an $83m loan from the World Bank. The plan is to improve training and modernise Sumerbank's 18 cotton plants—accounting for about half of its total production.

However, big investments are being continued in key sectors like roads, ports, energy, communications and agricultural projects.

In spite of these measures, SEEs remain a heavy burden on the Budget. Budgetary transfers last year are estimated at TL238bn, or 3.6 per cent of gross national product (GNP), compared to 3.3 per cent of GNP in 1978. At the same time they are contributing to inflation, even if less than in the past. In 1970 their net short term borrowing amounted to 9.6 per cent of GNP, in 1980 to 7.2 per cent and in 1981 to 4.3 per cent. The forecast for 1982 is 3.6 per cent.

Most of their spending goes on goods and services, while investments are the second biggest drain, followed by wages and salaries.

It will be difficult to make SEEs really efficient while they are as cushioned from competition as under the present system. Apart from the state monopoly for tobacco and alcohol, SEEs involved in railways, postal and communications services, pulp, sugar, tea, the grain trade, petrochemicals and coal have an effectively exclusive position.

There is some private sector competition for those producing steel, lignite and fertiliser. SEEs producing paper and cement account for about 20 per cent and 40 per cent of output in their respective areas.

Sale suggested

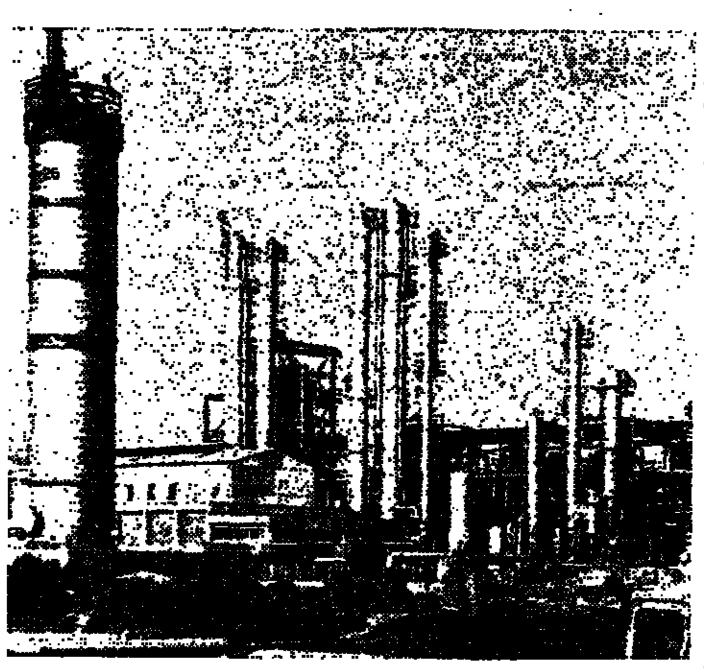
One solution which the Government has considered is to sell them in stages to the private sector. But as an aide to *Mr Turgut Ozal*, the deputy prime minister in charge of the economy put it: "Who would want to buy them?"

Another suggestion put forward by a Ministry of Finance official would be to set concrete efficiency targets, have no interference in their investments, issue fewer decrees, and bring the whole sector under the control of a small national enterprise board. The Government is already moving in this direction by comparing methods in other industries to see where economies can be made and planning to give managers more autonomy to choose their own sources of raw materials and manning levels.

Another solution would be to attract foreign investment, importing the management skills and technology which the SEEs were intended to cultivate in Turkey when they were set up 40 years ago. This has been a hard task, but a protocol agreement has just been signed between Etibank, the public mining and banking group and Phelps Dutch, a U.S. copper company, for a joint venture in an integrated mining, processing and marketing operation.

Clearly, the steps taken are in the right direction but much remains to be done. "There are no magic solutions, but I believe we have moved a long way," says Dr Yildirim Akturk, head of the SPO. "At the same time, I don't underestimate the problems."

The biggest of those problems will always be that so long as they are so protected from competition, the SEEs will never become efficient.



The ethylene plant of Petkim, Turkey's petrochemical complex

هكذا صدر الأصل

Crucial year for the recovery programme

TWO YEARS into Turkey's economic recovery programme and much is going well. Growth has resumed, reaching a current level of about 4.5 per cent. The country's current account deficit has been halved. Inflation has been slashed by two-thirds to an annual rate of around 30 per cent. Short-term stabilisation is on course.

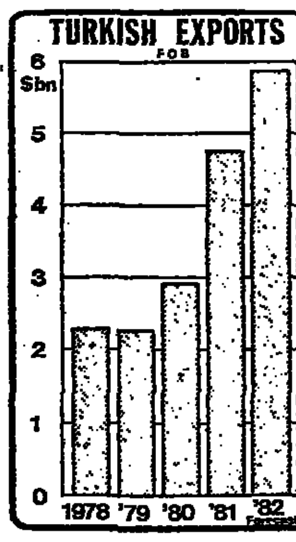
It is all a major change from the days when Turkey was running helter-skelter towards economic disaster. The turn round is largely credited to Mr Turgut Ozal, who designed and, as Deputy Premier, implements the recovery programme.

The visitor finds him more ebullient than ever. His office has been redecorated. He freely offers the Turkish coffee which the country was long too poor to import. He paints a future when the Turks, who two years ago ran out of lamp bulbs, will be exporting video cassette recorders. He makes light of the problems talked of by Istanbul businessmen, worried about by others in Ankara, or hinted at by official bodies abroad.

His programme has involved a major and continuing devaluation of the Turkish lira; a tax reform; limiting wage and salary increases; cutting subsidies and halving the Public Sector Borrowing Requirement; the lifting of government controls over bank interest rates; easing the way for foreign investors; introducing incentives for exporters; removing most price controls; and some tinkering with Turkey's notorious import barriers.

Concurrent with these measures—and in some cases the result of them—have been a series of critical structural changes:

- Overseas contracting has become a boom area. Turkey's contracts in the Middle East exceed $12bn—with all the vulnerability to oil earnings which this implies.
- Exports doubled in value between 1979 and 1981 to reach $4.7bn—39 per cent of them to the Middle East and North Africa. Exporting has become widely accepted as a priority.
- Industrialists, long-used to borrowing at negative real rates, find themselves having to pay up to 4 per cent real interest rates. Companies are having to dramatically lift their equity.
- New holding companies have emerged which group once-struggling smaller companies and challenge the older industrial heavyweights.
- A major shift from sight to time deposits is squeezing bank pressure on some of the smaller banks.
- Workers' real wages have fallen sharply, by up to 50 per cent between 1978 and 1981 according to some estimates.
- The State Economic Enterprises, previously a vast burden on the budget, now mainly set their own prices and are expected to finance themselves at commercial terms.



Many of these are welcome developments. But there are also other elements in the picture. The latest OECD report says that 1982 will be crucial for showing whether they herald adequate and balanced growth in the medium term or whether the improvement has only been temporary.

Is the export boom overdependent on the slump in domestic demand and exceptional factors such as the Iran-Iraq war? How much will Turkey pay for three years of slump in investment? When will domestic construction revive? Will it be able to finance admittedly improved current account deficits—this year the deficit is forecast at 3 per cent of GNP? Is there any prospect of the country reaching rates of growth which will prevent unemployment of 15 per cent rising yet further?

Then there are the short-term problems, of which the first is inflation. Price rises in the first quarter of 1982 were above those consistent with bringing annual increases in consumer prices down to 25 per cent. In part this may have been because of a purely seasonal increase in Central Bank credits to finance agricultural stocks, as the Turks maintain. But it is impossible to overlook—as they do—the recent increase in money supply. Last year notes and coin and total time and sight deposits rose by 86.4 per cent. Inflation was about 34 per cent.

Much of the increase was in time deposits. This implies a decline in the velocity of circulation, but as banks seek to lend their ever-more costly funds, it is clear that the Government's tight-money policy has some loose edges. For though industrialists complain of being squeezed, what they are really talking about is what they have to pay for their funds.

This cost of funds is the second immediate problem which the country has to deal with. An average industrial borrower now has to pay about 40 per cent in real terms. In the short term the Government sees this as a useful whip to oblige firms to improve their financing structure; an increasing number are replacing borrowed funds with equity—often brought back quietly from illegal accounts abroad. "A year ago I told industrialists to sell their villas and invest in their companies," Mr Ozal says wryly today.

He also points out that high interest rates for domestic credits encourage companies to seek the much cheaper money available for export purposes—and, ultimately, to export.

But in the market place things are not always working out this way. "Mr Ozal's incentives tend to become privileges for the industrial aristocracy," according to Mr Murtaza Celikel a spokesman for small industry at the Istanbul Chamber of Industry.

Equally, while the more dynamic firms can pass their interest charges onto their customers, others find that today's depressed local market means they are totally unable to meet the charges. There is an additional burden on companies which have borrowed foreign exchange when the lira was worth far more abroad and have to repay such loans at today's exchange rates. One bank has calculated that the arrears on its industrial loans now total TL 10bn (£37m).

Such problems have led some banks to include unpaid interest debts in their balance sheets as outstanding loans — and this problem of the banks is a third issue of importance.

In his office overlooking the Bosphorus, Mr Erol Sabanci, chairman of Akbank and one of the country's more successful bankers, is quick to describe the squeeze on bank margins. By his calculations the marginal cost of funds is now about 10 per cent higher than the return on normal loans which particularly hits small banks.

In Ankara officials insist that the Ministry of Finance has been given instructions to keep an eye on the banks. It is particularly important they do so as this winter there was chaos when a series of large money lenders went bankrupt. Yet today it is particularly noticeable how officials dismiss the way the banks handle their balance sheets: "They always window dress their end-year figures," one comments.

Such problems are in a sense the sort of the issue which in most countries would be handled by the Ministry of Finance or the Central Bank. In Turkey they have to be dealt with by Mr Ozal himself.

As time has gone by, so the other bodies of state dealing with the economy have been progressively emasculated.

All this means that the burden on Mr Ozal has steadily grown—and he has just agreed to undertake a reform of the bureaucracy. It is perhaps because of this that there has been a tendency to deal with individual parts of a problem rather than the underlying problem itself.

One example cited by traders is that of exports. Here there has been some cutting of red tape and the introduction of subsidies and incentives—to the extent that the latest report by the Paris-based Organisation for Economic Co-operation and Development is beginning to complain. But up to 23 signatures can still be required for a first-time exporter. There is no overall export law. Instead there are numerous regulations, coupled with a bureaucracy wedded to the past. Recently, one trader was priding himself on having finally broken with tradition to arrange Turkey's first export of butter to Iraq. But when his lorry reached the Turkish border his driver was told that under a little-known 1974 law butter was a strategic item and could not be exported.

Mr Ozal's answer to such points is to quote the recent rise of Turkish exports—and say that one of the countries with the worst export formalities is Japan. "Our problem is less with laws than with habits.

More significant are the problems he has had in opening the country to market forces. It was probably with the same sort of feeling as Sir Keith Joseph used to have at the Department of Industry that Mr Ozal has found himself this winter having to bail out two large private firms on the brink of collapse—the textile firm Guney Sanayi and the steel producer Asilcelik.

Equally, he has had to move more slowly than he would have liked in forcing the State Economic Enterprises to stand on their own 35 feet.

Ultimately more serious may be the difficulties he has been having in tackling the import barriers which continue to cocoon Turkish industry and mean that few goods produced in Turkey can also be imported.

Mr Rahmi Koc, chief executive of the large Koc group, says he could accept an end to the protection his white goods and car firms enjoy provided it was introduced over a period which would allow him to invest and adjust. He suggested a period of three years. Mr Ozal talks of such progress over six years. But only two years remain until the present regime is committed to holding elections.

It is worth stressing this problem if only because it is one which Mr Ozal inherited and which could well persist after him. A second long-term issue is that of unemployment.

In recognition of this Mr Ozal stresses the need for labour-intensive industry. He underlines his support for agriculture, which should have the effect of keeping people on the farm and discouraging migration to the cities with all its attendant problems. Yet here the reality is more complicated. For the agricultural sector's relative purchasing power has been declining and it was the agricultural bank, the Turk Ziraat Bankasi, which was obliged to buy the shares of the two main industrial companies which were about to go under.

Certainly, there may still be problems in individual sectors. Certainly there are structural issues to be tackled. And the country remains heavily dependent on aid in the OECD's pipelines—some $2bn this year—particularly in view of the general bank worry about third world lending. But for Turkey, 1982 is a long way from 1978—and in the right direction.

Turgut Ozal: designer of the programme

David Tonge

OECD SCENARIOS TO 1985

	Annual growth until 1985 at: 4%	5.5%	7%
Trade balance	−4,500	−5,450	−6,200
Invisibles	4,000	3,900	3,750
Current account	− 500	−1,550	−2,450
Capital account	− 850	− 850	− 850
Overall balance (including payments on current IMF advances)	−1,650	−2,700	−3,600
OECD comment	*	†	‡
Unemployment (now 15 per cent)	17.6	16.2	13.3

* "Not difficult." † "Manageable." ‡ "Unsustainable."
Source: OECD 1982 Economic Survey.

Mehmet Okumus: how to become super rich

ECONOMIC CRISES, like wars, create their own class of new super rich. Mr Mehmet Okumus, one of the best-known members of this class in Istanbul, sat behind a vast desk in an office the size of a tennis court, and dismissed the jealous speculations surrounding his swift ascent to wealth and power.

"I was not born by a prayer so curses will not kill me," he said, quoting a proverb from his native Antakya, where he was born 42 years ago. "Customers came, we sold, they bought, God helped, and here we are."

Mr Okumus, the son of a well-to-do textile and shoe merchant in Antakya, studied economics in Switzerland. In 1968 he returned to Istanbul and became a car dealer. In 1973, when car sales started booming, he started Hak Oto, his first company. The rest of his 14 companies, which constitute his family-owned Okumus Holdings, established last year, were either founded or acquired starting from 1978 when Turkey's economic crisis erupted. Textiles is his main business.

The secret of his success seems to be that he realised quite early the easiest and quickest way to growth in an economy with a depressed market was to export and buy companies which would face difficulties because they could not export.

In 1980 Okumus Holding's exports amounted to about $5m—from nil in the previous year—and his consolidated turnover to TL 3.5bn—from a figure in the previous year which Mr Okumus prefers not to remember. In 1981 Okumus exports shot up to $82m and turnover to TL 14bn. Mr Okumus claims he is now Turkey's largest private sector exporter. This year he plans to push up exports to $200m.

Mehmet Okumus: a formula for success

"I have about 40 people right now running around the Middle East and Europe selling," he said. "If we were bigger and better organised we could easily export $500m. He placed a pile of business cards in front of me to show that his recent visitors had arrived from such distant places as China and the U.S.

Okumus Holding's main export item last year was ready-made clothing, some of which it manufactures under the prestigious patent of Pierre Cardin. These amounted to about $64m, followed by $10m carpets and $5m cotton yarn. His biggest buyer was Libya. This year Okumus Holding plans to re-direct its products to other members of the Organisation for Petroleum Exporting Countries and Europe and to diversify in include commodities not directly manufactured by its subsidiaries.

Confident of sustained growth, Mr Okumus is buying two cargo ships, going into overseas construction and exploring the possibility of joint ventures in hotels and resort development. His pet project is to set up a Maxim's restaurant with Pierre Cardin at a disused Ottoman palace along the shores of the Bosphorus.

He had to drink his Nescafe in big gulps because his telephones rang incessantly, obliging him to talk to two people at the same time. His wife, who runs the export division, walked in without knocking and informed her husband that the board meeting would start in a few minutes.

"I work 11 hours a day, sometimes 14," said the soft-spoken businessman. "I am on the road 10 months of the year. I like to paint, fish and to go to the opera and the theatre but, as you can see there is no time." He pointed at the desk where, this time, all three telephones were ringing simultaneously, and the door opened to admit the members of his executive board.

Metin Munir

TURKEY VI ECONOMY

A gentlemen's agreement planned by the banks has hit snags.

Interest rate freedom seen as mixed blessing

THE LIBERALISATION of bank interest rates has resulted in a remarkable increase in funds deposited with commercial banks. It constitutes one of the most successful parts of the Government's monetary and credit policy.

In 1981 total deposits increased by almost 110 per cent, to TL 1,500 bn. Time deposits have grown by 263 per *cent and sight deposits* by 50 per cent, according to the figures of the Central Bank.

The less bright side of the picture—which is as yet far from clear—concerns the effect *liberalisation has had on the* banking system.

Before liberalisation, mandatory borrowing *and lending* rates were fixed by the Government. At times of high inflation—frequent in *Turkey*—rates yielded negative returns to depositors. Banks and borrowers benefited. So great was *this benefit that most businesses* financed their investments and operations with between 80 and 90 per cent bank loans, putting up only between 10 and 20 per cent of their own assets.

Uniform limits

In July 1980 the Government decided to free interest rates. The banks got together to set uniform limits through a "gentlemen's agreement," which subsequently was periodically reviewed. But the agreement did not work. As one Turkish banker put it, "we are not all gentlemen."

That is how the problem started. Many small and medium sized banks, which thought they *saw an opportunity in the new* environment to become big quickly, started offering under *the counter higher interest* rates. Most of the bigger banks had to join the race.

Depositors, who had not been getting their money's worth for years, gained. Net return on deposits, which is 37.5 per cent, went up "unofficially" to 40 per cent and higher. Similarly, the official lending rate, which is about 51 per cent went up to 64 per cent and higher.

The effects on the banking system have been manifold and in many cases negative. Principally, the race for deposits increased the cost of deposits substantially through a combination of interest, overheads, cost of funds and bad debts. The only way in which this cost could be met was through an increase in lending rates, through direct and indirect ways.

"It is very difficult for a normal business to utilise loans at the current high cost level," said a leading banker. "But such trading or industrial companies are obliged to use these loans so as not to stop their operations. The demand has not decreased and will not decrease. This situation will leave a lot of companies facing *bankruptcy*. Banks will not be able to retrieve their loans, and to a great extent loans will *become frozen assets.*

Even today, many banks are able to collect the interest on *their loans only by making* fresh loans available. In the not too distant future this trend will shake the whole banking system and have negative effects on the economy."

This may be too gloomy an assessment, and one with which the Government does not seem to agree. Mr Turgut Ozal, the Deputy Prime Minister and economic maestro, contends that "the new liveliness of the banking sector owes itself to the free interest rates."

He says that the Government has no intention of going back *to fixed interest rates.* Indeed, in its latest letter of intent to the International Monetary *Fund (IMF), Mr Kaya Erdem,* the Minister of Finance, pledged that the Government *would "maintain interest rates* at positive levels in real terms for savers and general borrowers."

Smaller banks also say that there is nothing wrong with digressions from the fixed rate. "The only advantage we have over the bigger banks is that we offer slightly higher interest rates," said the manager of a small bank. "What other reason would people have for depositing their money with us? In any case, we are so small that *we cannot hurt the big ones.*"

Actual developments, however, show that the interest race—which Mr Erol Sabanci, managing director of Akbank, the biggest private bank in Turkey, calls "interest anarchy"—has started hurting some banks. A number are facing a growing bad debt problem. It is not known how bad the problem is, as no bank is likely to publish such figures. However, this year for the first time a few small and medium size banks refrained from entering all accrued interest liabilities as expense in their 1981 balance sheets in order to be able to show a profit, whereas in actual fact hey had made a loss. It is evidence that all may not be well. This winter saw major problems for a number of the small brokerage houses—known as "bankers," but effectively money lenders. Following warnings by the authorities a run developed which led to several smaller "bankers" going bankrupt.

The move among some bigger banks is to return to the fixed mandatory interest rate determined by the Government and to bring down both deposit and lending rates to more realistic levels. They suggest that this rate could be reviewed periodically in order to ensure that the yield to investors is positive. Such a development, said one leading banker, is inevitable in the next quarter.

Metin Munir

EROL SABANCI

Aggressive banker

MR EROL SABANCI is deceptively quiet and modest for a man who has the reputation of being the most aggressive banker in Turkey, who is now venturing abroad.

Since he joined the board *of Akbank—of which he is* now manager—18 years ago, he has thrust the bank for*ward to become the biggest* of Turkey's privately-owned banks, with TL 2.5bn (£9m) *share capital, deposits* of TL 224bn and more than 600 branches.

Akbank also has major shares in a number of other Turkish banks. However, Mr Sabanci insists that the other companies in the Sabanci group have strict instructions to do most of their business with banks outside the group. "We are not a house bank," he says. At present, 10 to 11 per cent of Akbank's advances are *to family firms,* well below the 15 to 20 per cent limit, he says.

***He is one of the five* talented Sabanci brothers, whose Sabanci group has a majority stake in *Akbank*. The group was founded by their father, Mr Haci Omer Sabanci and is now headed by Mr Sakip Sabanci. Its 80 companies cover a wide range of activities, including cement, textiles, tourism, electronics, and construction equipment. With the Koc and Cukurova groups, it is the biggest in Turkey, and like them, is especially active in banking.**

Erol, 44, claims to feel more *personally involved in his* clients' successes than most bankers. "I love this business," *he says.* "To deal with the different kinds of business activities and industry is a very *colourful* activity. If they are successful, that gives me the greatest pride."

This sense of involvement springs from the two years he spent managing an industrial concern of his own—the family flour mill at Adana—just before joining Akbank. His education began at Tarsus American college, after which Mr Sabanci moved to Manchester for a three-year course in commercial studies.

Akbank has just opened a subsidiary, Ak International, in London with £5m authorised capital. It is the first such Turkish venture abroad and is wholly owned by the

Erol Sabanci: venturing abroad

Sabanci group. Previously, Turkish banks only had representative offices abroad.

Ak International, of which Mr Sabanci is chairman, is *already incorporated and is* hoping for authorisation from the Bank of England at the *beginning of 1983.*

Importance

"We selected London because we give it tremendous importance as an international banking sector," says Mr Sabanci. Akbank's empire also includes stakes in the Turkish Industrial Development Bank, Industrial Development and Credit Bank, Yapi ve Kredi Bankasi and Turkiye Garanti Bankasi.

He hopes that his two daughters will continue the *family tradition. The eldest* is in her last year at Heathfield School, Ascot and is to *study business administration* at university next year.

Mr Sabanci stresses how Turkish banks are still feeling the effects of the Government's decision two years ago to free interest rates. While this led to a flood of savings into the banks, it has also meant that some companies are badly hit by real interest rates of around 45 per cent. He warns that some of the smaller Turkish banks which have a high exposure to such companies could be at risk.

William Dawkins

ASAF GUNERI

Shipowner on a buying spree

A TURKISH shipowner may sound as rare a bird as a *Greek cameldriver, but Mr* Asaf Guneri represents a new species which is just beginning to flap its wings. As Lloyd's List reported last month: "Turkish owners brighten up a lacklustre market" in secondhand shipping. For having long been stuck on the shore, Turkish shipowners are now on a buying spree which already this year involves over 30 ships ranging from fishing boats to 250,000 dwt super tankers. A fleet which at the end of 1981 totalled about 2.8m tons has risen in three months by at least 0.6m tons; Mr Guneri says this is just the beginning.

When he joined his grandfather's firm, the Zihni Company, in 1966, this was a struggling Istanbul-based shipping agency, stevedoring, bunkering and coal-exporting firm. His father had just died and, while studying at Istanbul Commercial College, he found himself having to learn the ropes from the chairman's seat.

He then began to widen its shipping activities and in 1975 bought Zihni its first ship, a 4,455 dwt tramp. Today Mr Guneri, still aged only 34, has a fleet of 400,000 dwt, cheerfully talks of investing $75m in the next 18 months and divides his time between London and Istanbul.

"I have learnt a trick or two from my Greek friends," he says, but the recent flowering of Turkish shipping is also because Ankara too has begun to learn some of the buccaneering truths of the high seas.

Turks have long complained that 70 per cent of Turkey's foreign trade is carried on foreign ships, costing the country $1bn a year of scarce foreign exchange for freight. Kafkaesque bureaucracy, special port taxes, Ministry of Finance suspicion, and distrust of private enterprise—all these combined to keep the Turkish flag low. In 1975 a law prepared by the Ecevit Government was issued to help the country's fleet develop. It was never properly *implemented.*

Part of the reason was that Turkey's Shipowners' Association *showed little interest in* changing matters. It was long dominated by sail-by-night *small owners doing business* in uncertain cargoes. It was only after the military take *over of September 1980 that* such owners realised they should ally with "the good boys" and jointly lobby the generals.

Asaf Guneri: a fleet of 400,000 dwt

Last autumn the generals rejected a single Bill which would have done much to reduce the bureaucratic, foreign exchange and tax restrictions on the Turkish flag—and brought the small amount of "convenience registered" shipping home. However, the Turkish Prime Minister, a retired admiral, appointed another retired admiral to the new post of undersecretary for shipping. Since then a series of decrees has come out which go far to explain the Turk's market flurry. *Most crucially*, Turkish shipowners now qualify for the same benefits as Turkish *exporters and they no longer* have to pay a 25 per cent Turkish tax on the interest *on all loans contracted abroad.*

For the moment the Turkish Maritime Bank, the state-owned Denizcilik Bankası, with 1m dwt of shipping remains the largest single owner. Day by day families such as Baran, Cerra*hogullari, Kocman and Sonmez* are catching up. Neither they nor Mr Guneri claim they are yet in the Greeks' league, but they finally feel they can hold their heads high abroad and make their voice heard in Ankara.

Mr Guneri recounts: "Last July I told a meeting of officers how Turkey's arcane regula*tions had just obliged me to* forge a telex to get a ship out of Singapore. They could *have prosecuted me. Instead,* the next day they changed the regulation."

David Tonge

Turkey could become the food "supermarket of the Middle East"

Agriculture eager to expand

TURKEY MAY be one of the developing countries hardest hit by the cost of importing oil, but it does have a major and as yet still under-exploited asset, its agriculture.

It has indeed "food security," and with careful development and planning could become an important exporter. Mr Ali Kocman, the president of TUSIAD, the Turkish industrialists and businessmen's association, was probably only slightly exaggerating last month when he said that Turkey "is one of the seven countries in the world that can feed its population of almost 50m and provide food for export."

Taking into account its geographical position it would not be an exaggeration to say that Turkey soon may become the "supermarket of the Middle East." General Evren, himself, talks of "wheat for oil."

A major question remains over whether the Turkish Government has really confronted rather than recognised agriculture's problems and potential. It has been stagnating. The emigration from the rural areas—perhaps as many as 3,000 a day into Istanbul—has not been halted.

Growth rates may be picking up. Agribusiness has been recognised as a potential area of profitable expansion (not least for exports). Nevertheless, the impression remains that while agriculture is broadly being improved, for the moment it is used to finance other parts of the economy, notably industry. The Turkish agricultural bank, for instance, has recently been ordered to buy into losing steel and textile firms to prevent them going under.

The country's potential is high and recognised. Professor Ali Balaban, the Dean of the agriculture faculty at Ankara University, deftly reels off the figures, "100bn cu m a year of usable water, 24m hectares of forest, 22m hectares of grass, 12m hectares of irrigable land, and 83m animals."

Further, although agricultural workers have been representing progressively a smaller proportion of employment—67 per cent in 1970 — they still account for about 60 per cent of the labour force. Agriculture accounts for about half all visible export earnings. In 1981, this meant $2.2bn out of total exports near to $6bn.

PRODUCTION BY PRODUCT
(in '000 tons)

	1977	1978	1979	1980	Provisional 1981	Percentage change 1980-81	Annual percentage growth rate 1977-81
Wheat	16,650	16,700	17,500	16,500	17,000	3.0	0.5
Cotton	575	475	476	500	500	0.0	(3.4)
Grapes	3,180	3,496	3,500	3,600	3,600	0.0	3.2
Hazelnuts	290	310	300	250	350	40.0	4.8
Citrus fruit	1,147	1,081	1,147	1,174	1,182	0.7	0.8
Barley	4,750	4,750	5,240	5,300	5,900	11.3	5.6
Tobacco	248	293	217	228	200	(12.3)	(5.2)
Sugar beets	8,881	8,837	8,760	6,765	11,000	62.6	5.5
Oil seeds	1,309	1,297	1,410	1,653	1,507	(8.8)	3.6
Rice	277	305	330	234	290	23.9	1.2
Tea	395	450	555	476	200	(58.0)	(15.7)
Olives*	400	1,100	430	1,350	600	39.5†	23.2‡

* The olive harvest follows a two-year cycle. † Represents the percentage change of 1981 over 1979. ‡ Represents the average of the percentage changes of 1979 over 1977, 1980 over 1978 and 1981 over 1979.
Source: State Institute of Statistics.

The growth rate of agriculture has, however, been a source of concern and a reflection of neglect. In 1980 it rose almost by two per cent, the next year by half a per cent, this year, the projection is 3.2 per cent.

This latter target could be attainable, not least because of greater fixed capital investment. The Government has, finally, promoted it to its third target of interest after energy and infrastructure. Thus in 1981 when it was to receive TL 119.6bn or 9.3 per cent of both public and private investment of TL 1,280bn, the programme for this year envisages investments of TL 148.5bn, or *11.1 per cent of the overall figure.*

The debate

The current debate is whether Turkish agriculture should be expanded or intensified. The argument tends towards the latter but the eventual development of the $4bn Ataturk dam (discussed elsewhere in this supplement) could expand the irrigated area in south-east Turkey by some 2m hectares around Urfa and Hilvan.

Intensification can come mainly from the following sources:

● **Fertilisers.** Currently, according to Professor Balaban, 6m tonnes/year are being used, but the target over the next four years is to raise this consumption to 15m tonnes.

● **Mechanisation.** Currently 400,000 farm vehicles of differing horsepower, but the lowest in Europe, and about half of what is required.

● **Land reform.** Particularly in the south east where more than 800 villages are owned by Agas, feudal landlords. A bill is under discussion to limit private ownership and to open land holdings to the landless, but like previous attempts, has *run into resistance.*

In spite of Turkey's innate productivity possibilities there have been policies from the top—particularly in connection with subsidies — which have produced reactions in farmers, who, as in many countries elsewhere, feel that their material rewards are not adequate.

Wheat is a case in point. Production in 1981 was 17m tonnes, slightly above the average for the past five years. Domestic consumption is between 12 and 13m tonnes. Yet because farmers felt that support prices were too low, stocks were held back, and some 900,000 tonnes of wheat are to be imported this year to fulfil contracts, mainly with the Middle East. The Turkish press has been raising the issue that while, in 1981, wheat imports of 272,309 tonnes cost $47.46m and exports of 315,537 tonnes brought in $53.79m, there was a loss to Turkey of $3.84 in terms of per tonne costs. The question was asked, is this what one of the top ten wheat exporting countries deserves?

The international potential of Turkey's agriculture has not been exploited fully, particularly in agri-business. Some companies, however, have been showing commitment and interest.

Unilever, which has had a factory at Bakirkoy, near Istanbul, since the 1950s producing margarine, has been a pioneer in trying to use indigenous sunflower oil and cotton seed oil, rather than having to import ingredients. It is awaiting construction permission for a factory in Corlu in the main *sunflower growing area in Thrace.*

The awareness of the shortcomings of a potentially fecund and profitable sector would seem to be slow in percolating through to the operational arms of the government. A major point is that unless overall productivity is stimulated, any surpluses may eventually be consumed by a population growing by 2.1 per cent a year.

Anthony McDermott

Rapid growth in transit trade

MR NECMETTIN YENER, a former staff colonel who saw action in Cyprus and who now co-ordinates transit trade in the Prime Minister's office, admits that the Turkish Government was initially caught off balance by the very rapid growth of this trade.

His co-ordinating office was only set up at the beginning of 1981 and by his own admission is only just getting on top of the problem. There was a time, however, when the queue of TIR lorries could be tailing back for 130 km waiting to cross the border posts leading to Iraq and Iran. Some could be stuck for as long as a month.

Moreover, Turkish firms were beginning to attract a bad reputation abroad for taking undue advantage of the confusion.

The growth in traffic has been dramatic, reflecting Turkey's increasing economic and political ties with the Middle East—with the Iran-Iraq war thrown in as a bonus. TIR transits in 1972, for example, were a mere 10,000. In 1980 they totalled 112,322 (of which 51,677 were of Bulgarian origin and 33,081 from Turkey). Last year the total rose by more than 80 per cent to 204,617 (74,203 from Bulgaria and 41,999 from Turkey).

The Turkish Government has taken measures to ease the flow and the wear and tear on drivers. Mobile centres have been set up across the country to cope with the cross-border formalities and lorries are now bunched in groups of 300 to try and ensure that crossings are less fitful than before.

Turkey has in fact the third largest "static capacity"—the amount of road cargo it can cope with at any one time—in Europe after West Germany and France. The figures are 2.7m tonnes for West Germany, 2.08m for France and 1.8m for Turkey.

The gains to Turkey are in the end positive—but mixed. Habur, the crossing point with Iraq, was built for a daily processing of 500 vehicles but has had to cope with 4,000. For a time it caused a little amusement that while the Turkish side was open 24 hours a day, the same did not apply in Iraq. The crossing at Gurbulak into Iran is handling 600 lorries a day.

There is inevitably wear on the road surfacing. Mr Yener makes the point that lorries have been caught carrying 50 tonnes of cargo compared with the official limit of 38 tonnes.

On balance Turkey gains. According to Mr Umut Arik, who is in charge of economic affairs in the Foreign Ministry, some 5m tonnes of trade passed through Turkey in 1981, of which 2m went to Iraq and 1.5m to Iran, with the remainder going to Saudi Arabia and the Gulf. There is some confusion as to how much this traffic actually means in earnings for Turkey.

The media grandly talk of an annual income of about $1bn. *Both Mr Yener and Mr Arik* agree that the receipts for the central bank this year (leaving aside money held back by companies for expanding their TIR fleets or the like) is currently not more than $400m. This would include some $75m from rail transport. This has increased fourfold over 1980.

Politics have inevitably played a part in the smoothness with which goods have moved across Turkey's southern borders. Syria's decision in April to cut off exports to Iraq was initially costing Turkey some $1m daily in rail traffic.

Benefits

The transit trade experience has had longer term benefits for Turkey. The expectation is that even if the Iran-Iraq war ends soon, trade with those countries would continue, not least to help post-war recovery and contractors involved. Indeed the hope is that exports to each of these countries could reach $1bn next year. Tuzcuoglu, the leading transport company with some 250 trucks and a capacity of 400 tonnes, is planning to buy over the next year up to 40 more, mainly for the conveyance of dry and refrigerated cargo from the southern ports of Mersin and Iskenderun to Iraq and Iran. (The company maintains however, that traffic to the latter has been falling off.)

If Turkey is to keep up with the expansion of transit trade, it will not just be roads which will need improving. Turkish Airlines has only one cargo aircraft and is seen as being disproportionately costly. The railways system is gradually being upgraded but as one official put it, "it is a remnant of the 1930s."

The improvement will have to come in the ports and the shipping lines. Under way is a $75m World Bank project to improve Mersin and Iskenderun on the Mediterranean and Trabzon and Hopa on the Black Sea. There is talk of ro-ro lines with Romania, with which Turkey has just signed an important *transit agreement,* and possibly Bulgaria.

The Turkish Government may have been initially slow to respond to this transit trade but with local provincial governors in the border areas now given specific responsibility for this sector, it is probably taking things more seriously than its neighbours. In the process a lasting benefit should be an improved transportation network countrywide.

A. McD.

A new strategy aims at reducing disincentive, says **William Dawkins**

Luring foreign investment

ANKARA'S MAIN problem in attracting foreign investment is not so much in producing the right incentives, at which it is working hard, but in reducing the disincentives which are already there.

Superficially, Turkey's campaign to win foreign investment, which plays a major part in its economic stabilisation programme, looks as if it is moving in the right way.

According to Mr Husnu Dogan, director of the new Foreign Investment Department, in the 25 years before 1979, the total foreign capital invested in Turkey under its main foreign investment law amounted to a mere $228m (£127m). "In 1980 my department gave permission for investments totalling another $97m, and last year this figure improved to $336m," he said. These figures all exclude petroleum firms which come under a separate law. Over 100 foreign companies received investment approval last year.

However, $298m of the 1981 figure was in so-called non-guaranteed trade arrears (NGTAs)—unpaid Turkish lira debts to suppliers which have been made eligible for investment in Turkey. But it is a sign of increasing confidence in Turkish investment potential that a flourishing market has grown in NGTAs. Two years ago, they sold for the equivalent of 20 cents to the dollar. They now fetch up to 55 cents, according to Mr Dogan.

A change of mood in the embassies testifies to this growing confidence. "A year ago, no one was interested, but now I am flooded with investment inquiries," one Western commercial attache says. But most important, some "pioneers" have become trail-blazers.

● Otomarsan, the 12-year-old bus manufacturer, 36 per cent-owned by Daimler Benz, is planning a new factory to produce 2,000 buses and 5,000 trucks a year about 30 miles from its present plant in the industrial Istanbul suburb of Yesilyurt.

The plan, which represents a fresh investment of between DM 50bn and DM 80bn, is the company's first venture into the truck business. Most of the new production will be exported to the Middle East. Last year, Otomarsan produced 1,300 buses, about five a day, under licence from Daimler Benz, which supplies engines and gearboxes. It exported 80 per cent of these. Mr Haluk Gonencer, in charge of marketing for Otomarsan, says: "The Government is really trying to do its best for the investor."

● Maschinenfabrik Augsburg Nurnberg (MAN) has taken a 40 per cent share, with Ercan the Turkish concern taking the rest, in a venture to make 7,000 diesel engines a year at a new factory near Ankara, involving an investment of $50m.

● Unilever, which set up a margarine factory in the Istanbul suburb of Bakirkoy in 1952, is investing TL 3bn (£11.40m) to increase its annual output by 36,000 tonnes to 146,000 tonnes by the end of 1984. Only TL 160m of the TL 1bn invested so far is in NGTAs. Turkiye Bankas, Unilever's Turkish partner, is increasing its stake from 20 per cent of the capital to 36 per cent. It had obtained the necessary investment approval but is awaiting construction permits.

Mr Metin Yildizlar, the subsidiary's chairman, is impressed with the authorities' increasingly open attitude to foreign investors. But he says: "Foreign investment in this country is not an easy game. It takes some time."

12 years

Mr Yildizlar notes that in the 1960s it took Unilever 12 years to get permission to increase its capital from TL 50m to TL 75m, while last year it took only a few months to get the go-ahead for a capital increase from TL 223m to TL 1bn.

One of his criticisms of the present system is that not all investment regulations come under one law administered from the same source. He also feels that the Ministry of Finance, mainly in charge of tax affairs, has too much power over foreign investors. "Unfortunately, the Ministry of Finance is a state within a state in this country," he says.

● Other companies expanding in Turkey include Ciba Geigy, which has increased its share in its Turkish operations from TL 4m to TL 1bn over the past two years. In banking, Citibank, which became the first foreign bank to set up in Turkey two years ago, has been followed by American Express, Bank Mellat of Iran, and the Bank of Credit and Commerce.

Manufactured goods account for most foreign investment in Turkey, but Mr Dogan lists tourism, agribusiness, mining, and oil exploration as other important growth areas. There are more than 100 foreign ventures operating in Turkey.

"Looking at the potential of Turkey, we are just at the beginning," says Mr Dogan.

Ankara's bid to make Turkey more attractive for foreign investors has taken place on two fronts. It has undertaken a series of policy initiatives, while at the same time showing a more open attitude to outsiders—a marked contrast from the insularity.

An important part of Ankara's foreign investment drive was the enacting two years ago of the Framework Decree on Foreign Capital, which offered wide incentives and set up Mr Dogan's department to speed up processing of applications. New investments can now be approved in as little as a week, after having taken up to years before.

His department may authorise investments of up to $50m, of which between 10 per cent and 49 per cent must be foreign equity. Those who do not fit into these categories apply direct to the Prime Minister's office.

The incentives include:

● Up to 100 per cent exemption from customs duty and other import taxes on necessary inputs and equipment.

● Payment of customs duty and other import taxes over five years.

● Subsidised medium-term domestic credits and short-term export credits.

● Retention of 50 per cent of export earnings, for use in importing necessary inputs or transfer to other exporters, and allocation of foreign exchange from special quotas.

● Deduction from taxable income of an amount equal to 20 per cent of export revenue.

● Tax rebates, up to 20 per cent of export earnings.

● Loss carry forwards, up to five years.

In spite of these incentives, some investors still find that they are hampered by literally Byzantine Turkish bureaucracy. But as Mr Dogan points out: "You can't solve everything at once. It all takes time."

Facelift for debt profile

TURKEY is making a major attempt to shrug off its reputation as a risky borrower, dangerously short of foreign exchange to repay its debts. It would prefer a reputation as a country able to meet its financial obligations in an orderly and efficient manner.

Ankara's efforts in this direction are already paying dividends. The former pariah of the international lending community has this year won two important credits.

In February, Turkish Airlines negotiated a syndicated loan totalling $76.5m (£42.6m) to finance the purchase of two Boeing 727s—the first medium-term credit which Turkey has negotiated since 1979. In April American Express signed a contract to take the lead in a syndicated $77m Euroloan for two leading Turkish construction companies—the first such loan for private Turkish companies since the economic crisis reached its height in 1977.

Although the terms are tough—1¾ per cent over Libor (London Interbank Offered Rate) these loans reflect a major change in the past three years. At the same time, Turkey is expanding its working relationships with banks and extending its credit lines.

State policy

The Government's policy is to build on this, concentrate on financing energy and export-oriented projects, and to approach the international markets in an orderly fashion. Mr Turgut Ozal, the deputy prime minister in charge of the economy, said recently: "As our credit rating increases, Turkey will enter the markets more and more."

All this is a major change from the dark days of 1977 when Turkey found it impossible to repay its debts. But since then, Ankara has achieved one of the largest debt reschedulings in history, completed this year with a further rescheduling of $3.2bn of that debt.

A result of the rescheduling has been a shift in the quality of Turkey's debt towards the medium and long term, and away from short term. Today 86 per cent of Turkey's debt is medium and long term, compared with only 44 per cent five years ago.

At the end of last year, Turkey owed $13.408bn in disbursed medium and long term debt and $2.111bn in short term debt, resulting in a total of $15.519bn. This figure does not include another $2.779bn in undisbursed debt. Its biggest bilateral creditors are countries from the Paris-based Organisation for Economic Co-operation and Development (OECD), which are owed $5.901bn in medium and long-term disbursed debt.

As another result of the rescheduling, and also partly because of increased foreign exchange earnings, Turkey's debt service ratio (payments of principle and interest as a percentage of earnings from exports and invisibles) has steadily decreased. According to the Government, this went down from 24.2 per cent in 1979 to 22.7 per cent in 1980, and 21.4 per cent last year.

Nevertheless, the debt servicing bill is still steep and will get steeper in three years' time, when many of the rescheduled debts fall due. Repayments of principal and interest are projected to rise from $1.698bn this year to a peak of $2.466bn in 1985.

Mr Yavuz Canevi, vice governor of the central bank, is fairly confident that Turkey can shoulder this burden. He points out that foreign exchange earnings should increase more over the next three years than was envisaged when the rescheduling took place. For example, exports went up by 61.6 per cent last year to $4.703bn.

Although Mr Canevi does not believe Turkey can sustain such a high rate of export growth, he feels it can be kept up at 25 per cent or 30 per cent.

However, he is concerned about Turkey's ability to finance the high growth rates in gross national product (GNP) which the Government seeks.

He warns that Turkey can finance last year's 4.4 per cent annual growth in GNP without strain, but echoes the recent OECD report on Turkey when he says it will be unable to do so at the Government's declared target rate of 7 per cent unless there is an even bigger increase in foreign exchange earnings.

While exports may do well, Turkey remains dependent on aid. OECD and EEC countries have granted debt relief of $5.477bn and pledged a total of $3.123bn in balance of payments relief over the past three years. Turkey was the first country to receive structural adjustments loans from the World Bank, obtaining nearly $800m since 1979. Turkey also has a three-year standby agreement with the International Monetary Fund for SDR 1.25bn (£1.98bn), of which SDR 760m has been drawn.

But these aid sources have their limits. The EEC Commission has blocked progress on a five-year $600m aid programme in protest against acts by the military. An OECD pledging session has been deferred because of some members' concern over political developments. Turkey's financing gap for 1982 is around $340m, but this is after allowing for $2bn of aid. Certainly, private finance is now taking a fresh look at Turkey and things are looking up, but the country is not yet out of the wood.

W.D.

TURKISH DEBT

External debt service requirements (medium and long term only)

Year	Principal $m	Interest $m	Total $m
1982	742	956	1,698
1983	902	937	1,839
1984	1,039	924	1,963
1985	1,617	849	2,466
1986	1,481	707	2,188
1987	1,402	575	1,977
1988	1,329	441	1,770
1989	1,276	308	1,584
1990	769	188	957

Source: Ministry of Finance; Central Bank.

هكذا من الأصل

Needs are understood better, says **Anthony McDermott**

Stronger energy policy

IN ISTIKLAL CADDESI, Istanbul's smartest shopping street, the only lights on at night are signs advertising casinos and night clubs. The shop front wndows are dark. The state radio and television has been urging listeners to conserve electricity. Some limited legislation has been passed to back this up, notably in the greater use of insulation of houses and shops.

Long petrol queues have disappeared, and the dark cold winter two years ago has become an unpleasant memory. The last power cuts were in the autumn of last year. In short, over the recent years and not before time, Turkey has become more energy conscious on both a public and private level.

Turkey was notoriously slow to react to the rapid rise in world oil prices which brought about severe balance of payments problems. It was equally slow to publicise its plight as a leading example of a developing, low level oil producing country hit by these price rises.

The situation is now better known, but the basic figures still bear repeating. Oil imports in 1973 cost a mere U.S.$218m. In 1980, they amounted to U.S.$3.86bn, or nearly 49 per cent of all imports.

Situation eased

The cost of these imports comfortably exceeded the value of *all* Turkey's exports, then U.S.$2.91bn. Last year the situation eased slightly. The cost of oil imports was virtually the same, reflecting a slowdown in economic activity, and were only 43.4 per cent of imports. They were less than total exports which had risen to U.S.$4.7bn.

Initially it was expected that oil imports this year might cost U.S.$ 4.3bn but the fall in world prices has brought some relief (and some problems for Turkish contractors and traders seeking work and payments in the Middle East).

Since the military takeover in September 1980 economic (and energy) policies have become more vigorous. The top men in the SEE's dealing with this sector have been replaced. Prices have been raised five times since December 1980.

In addition, priority has been given in fixed capital investment programmes by the public sector to the development of hydro-electric and thermal power plants and energy as a whole. In 1981, this amounted to TL 176.78bn, or 24.1 per cent of the whole investment programme. This year, the percentage drops slightly to about 23 per cent but it is still intended to spend TL 178.94bn.

Turkey's oil supplies for this year are assured. At least, some of the hydroprojects—a long under-used source of power—are coming on stream. Long-term planning for energy, a long-standing disaster area, has begun to become more coherent.

Turkey is—and is, by all accounts, likely to remain—in the ranks of minor oil producers. Local peak production was reached in 1970 with 3.5m tonnes (about 70,000 barrels/day). By 1980, this had fallen to 2.32m tonnes (46,400 b/d), the bulk coming from the operations of Shell and TPAO, the state oil organisation.

Last year production rose slightly to 2.36m tonnes (47,200 b/d), and based on figures for the first three months of this year may be just over the 48,000 b/d mark, around one-sixth of consumption.

The Turkish Government has tried to lure foreign companies but the fact remains that most companies are reluctant to invest in a high risk area—and the geology of the main producing part of the country is termed very difficult and fractured.

As in previous years, a series of government-to-government oil deals have been set up. (For the moment the temptation to return to the spot market is being resisted.) The deals *arranged over the past two* years are (see table but as the starting dates of the year-long contracts vary they must be taken as approximate).

This year's agreements are somewhat more obscure, and not helped by the politicking of the Iran-Iraq war. But country-by-country the following offers have been made:—

Iraq: All Turkey's needs, in effect deliveries of about 5m tonnes.

Iran: 4m tonnes (probably nearer half that).

Libya: 2.5m tonnes, *although* this could reach 3.5m tonnes (the other suppliers—such as Saudi Arabia, Kuwait and the UAE—have not been forthcoming in releasing details of their supplies).

Turkey gains over $90m annually from its position as an alternative exit for petroleum products from the Gulf war zone of the Iran-Iraq war.

There has also been discussion of three pipeline links with Iran:

- An oil pipeline between 1981 amounted to 24.9bn kwh Mersin.
- A natural gasline from Iran to Hopa on the Black Sea.
- A natural gasline along a route yet to be decided, linking Iran with Europe.

In the longer term, the oil issue should be a minor issue, *even though the World Bank* has estimated that oil imports in 1985 could be U.S.$6.59bn, still constituting 47 per cent of imports, and compared with exports then worth US$9.1bn.

Turkey will have to face two interrelated issues. The first is that currently Turkey's per caput consumption, with only 70 per cent of its villages electrified, *is the lowest in Europe*: 545 kwh/year. Generation in 1981 amounted to 24.9bn kwh (plus 1.6m kwh imported from the Soviet Union and Bulgaria). This marked a rise of 7 per cent compared with an average of just over 3 per cent in the previous two years. Even so, according to TEK, the state electrical authority, there was a *shortfall* against demand of 1.7bn kwh.

Second issue

The second issue is to reshape the pattern of long-term supplies of energy. In 1974, fuel oil provided 46 per cent of electrical power, hydro 25 per cent, lignite 18 per cent and *coal 11 per cent. In 1981* the balance had shifted to: 50.7 per cent from hydro, 24.4 per cent from lignite, 22.4 per cent from fuel oil and diesel, and 3.5 per cent from coal.

REPORTED ACTUAL DELIVERIES

	tonnes (m) 1980	1981
Iran	3.4	1.8
Iraq	5	5.6
Libya	2	2.6
Soviet Union (via Kuwait)	1.3	—
UAE	0.35	—
Algeria	—	0.1
Saudi Arabia	—	1.5
Kuwait	—	0.03
Total	12.05	11.63

At present, Turkey forecasts that electricity demand will reach 212bn kwh by the year 2000. DSI, the state hydraulic works, in a report, calculated that this could be covered 38 per cent by hydro generation, 35 per cent thermal sources, and 27 per cent by nuclear power (the Turkish atomic energy commis*sion has calculated differently:* 56.7 per cent for hydro, 27.1 per cent for fossil fuels, and 16 per cent for nuclear sources).

If hydropower provides one source in the long term of alleviation of Turkey's energy problems, lignite offers another.

The centre-piece of this aspect of Turkey's energy future is the Afsin-Elbistan plant between Kayseri and Malatya in south-east Turkey but it has been a project dogged by disaster.

Costs for the whole project have multiplied tenfold to something approaching $16bn. Even then it is probable that only three out of the four turbines will function. The nuclear option has run into trouble over finance.

Like most other countries, Turkey has also considered the nuclear option for bridging the gap between electrical demand and supply.

Slow progress on Urfa dam

THE URFA TUNNEL, which one day may be the largest tunnel for irrigation in the world, begins on a hillside in the Euphrates valley and ends in a muddy field scattered with poppies.

Between these two points, about 150 metres under the *hills north of Urfa, gangs of* Turkish workers have drilled and concreted nearly five kilometres of double tunnel in a gloomy limbo of flaking limestone and dust. As they began work in 1977, and the tunnel is to be over 24 km long, this is not, as they say, very good.

The dam that will fill the reservoir that will send the water through the tunnel is to be built some 80 km further east, at a point where the Euphrates valley widens to a shallow reach before entering a gorge. In this lovely and remote place, with its gypsies, foxes and brilliant songbirds, it is hard to imagine a rock-filled dam 184 metres high and nearly 2 km across but this is what the engineers, now digging a diversion tunnel, say it will be.

They also say that the dam will generate 8bn kilowatt hours of power a year and send enough *water through the tunnel to* irrigate 300,000 hectares of steppeland to feed and clothe the Middle East. The Ataturk dam and hydroelectric plant, as its reverential name suggests, is the most important exercise in public works in modern Turkey.

However, to build the dam and power plant will require a colossal amount of foreign *exchange, which nobody is will*ing to compute, but would certainly not be less than $2bn. Shortage of hard currency was one of a host of factors which has held up progress on the Urfa tunnel: the Dogus construction company was released from its contract in 1979, after spending some Tl 3.5bn, and the work has been passed on to *the Akpinar concern.* Where the foreign exchange is to come from is anybodys' guess. Dam projects on shared rivers are political minefields and the World Bank, which only approved $120m for the sister Karakaya dam upstream on the eighth appraisal, is thought highly unlikely to involve itself, now that Iraq (and Syria) face *losing 10bn cubic* metres of water, a third of the flow to the farmers of south-eastern Turkey.

A number of wild schemes are being discussed, including the sale of stock to Turkish workers or even a withholding tax on profits generated by Turkish construction companies overseas. But the dam will be built, the engineers say, and both general Kenan Evren and the deputy prime minister for economic affairs, Mr Turgut Ozal, appear to be strongly in favour of the project.

The DSI, Turkey water authority, claims that the Euphrates valley contains a quarter of the country's hydroelectric capacity of 100bn kilowatt/hours per year. Upstream of the Ataturk site, the Keban dam and its immense reservoir, which began operating in 1974, is to be extended to produce 6.2bn kwh a year while the Karakaya dam in the middle should eventually start producing the first volumes of its 7.5bn kwh a year in the spring of 1986, although there remains here too a financing gap of $130m.

Turkey has been relatively *successful in replacing costly* imports of energy, with some 20 per cent of actual demand of 25bn kwh a year now met from hydroelectricity but demand and supply are now only just in balance.

Funding problem

The question must be *whether Turkey can afford to* commit scarce foreign and local currency to a project which will only start producing a return in the 1990s when some 18 other power projects have been initiated and must compete for funds.

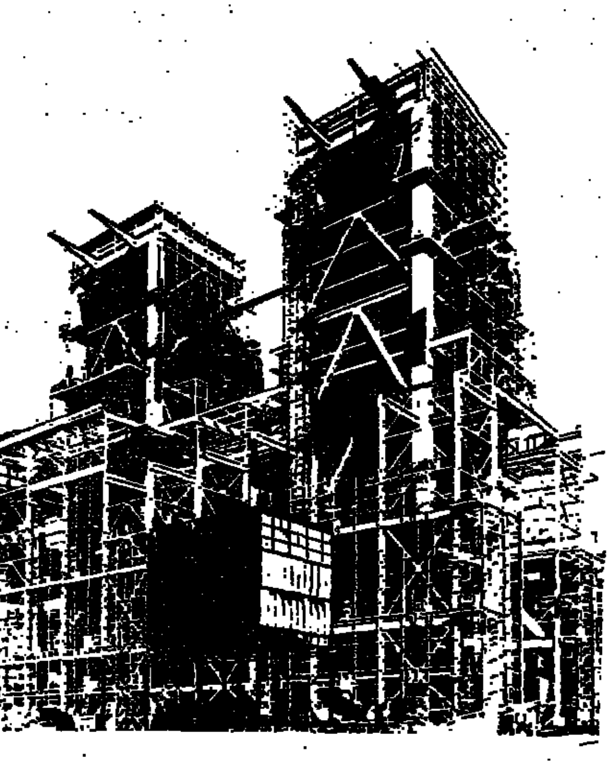
Less emphasis is placed on the irrigation plan, which will not become actual before the next century, but this too will change the face of Turkey's most backward region for it will permit the great open steppes of Harran, which now supports only a spring cereal crop, to be used for all year cultivation of cereals and cotton. A secondary tunnel and canal system, to begin at the Kurdish town of Hilvan, could open up a further 400.000 hectares. "It will be another California," Mr Ibrahim Taskin, the DSI project manager says infectiously.

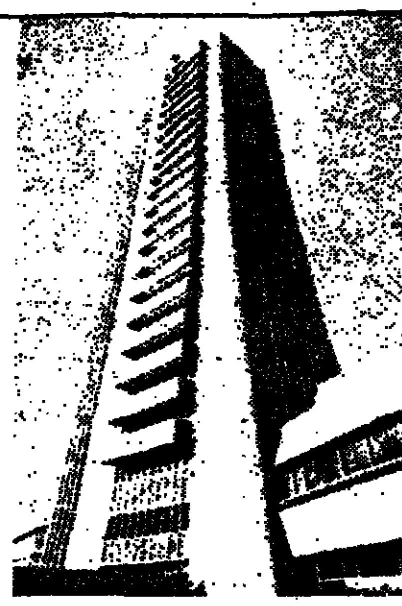
As for the financing problem, *the DSI's most realistic hope is* pinned on supplier credits such as the Italian contractor at Karakaya brought with it. The Swiss Government is said to be ready in principle to provide a credit towards the $650m cost of the Swiss turbines but that leaves the best part of $1bn for the earthmoving equipment for the dam proper. If the dam is *started this year, it could be* completed by 1990 and Dogus is forging ahead with the Tl 5.6bn diversion channel—presumably to make the cancellation of the project less palatable.

The diplomatic problem with Syria is also proving tricky in the extreme. Turkey has correct relations with Syria and relatively warm ties with Iraq but *the two champions of Arab* Baath socialism are always at each other's throats. Iraq's traditional irrigation system with floodwater was doomed when Keban was built, although Baghdad has been constantly reassured of a regular flow of up to 900 cu metres a second and no less than 450 cu metres a second.

But Syria has since then erected the vast Tabhka dam beyond Aleppo. Once water begins being drawn off, the Ataturk dam will be one further restriction on the flow, and Syria will be in an even stronger position to tamper with what remains which could precipitate a catastrophe in Iraq on the scale of the Mongol destruction of the irrigation system in 1252.

James Buchan





Leslie Colitt describes life for a Turkish family in West Berlin

Bitter times for workers abroad

"WHAT DID we do to the Germans to make them hate us so much?" Ali Yücelen wondered aloud. He pulled a cord releasing the bucket-load of building wastes strapped to his back and the cloud of white dust set him coughing.

Ali earns DM 2,300 (£550) a month, more than ten times what he would make in Turkey. However, like many Turks in Germany, he is incensed by the scrawlings of "Türken raus" (Turks out) which he sees on house walls.

It was much better when he came to West Berlin 12 years ago, Ali said. His German colleagues at work were friendlier and his neighbours occasionally greeted him. Hardly any Germans remain in the city-owned tenement building in Tiergarten district, where Ali lives with his wife and three children.

The rapid growth of the Turkish population in West Berlin to 140,000 or 12 per cent of the city's inhabitants undoubtedly has much to do with the worsening relations between Germans and Turks.

Staying

Ali said that he has considered returning to Turkey now that the German authorities plan to pay foreign workers their accumulated pension and unemployment benefits if they return home. He would be well-to-do in Turkey with that kind of money. However, after spending a three-week holiday in his village last year, he decided he had been in Germany too long to return.

Two of Ali's children are in school and the eldest boy has been trying to get work for the past half year. He left school at 15, and was not accepted for an apprenticeship because of his poor spoken and written German. The boy came to Berlin at the age of 12, when Ali called for his wife and children in Turkey to join him in Berlin. His unemployed son is far more bitter about the Germans than Ali.

The two young children attend a Koran school in the afternoon, which Ali says keeps them off the street. These religious schools are widely criticised in Germany for instilling anti-German sentiments in the pupils. One German Social Democrat MP at Hanover said the schools with their militant Islamic instruction should be abolished in West Germany, just as they were banned in Turkey. About 20 per cent of the Turkish children in West Germany attend Koran schools, which are run by members of the rabidly anti-Western Islamic Federation.

Although Ali could qualify to become a German citizen, he laughed derisively, when asked if he would apply. Turkey lifted its previous objections to its citizens becoming Germans but even fewer Turks are interested in proving their cultural and linguistic affinity to Germany than is the case with Yugoslavs or Greeks. Ali's children may choose to become Germans, but Mr Özcan Ayanoglu, a political economist in Berlin, said it would not prevent the second generation of Turks in Germany from becoming more radical than their elders.

"Their parents compare Germany with home and thus are able to stand it here. But their children will have no other basis for comparison than Germany," he noted.

The German Government and the Länder have concentrated their spending in recent years on the young generation of Turks. Some 3,000 Turkish teenagers in West Berlin are taking special courses to gain job skills. However, they will remain unskilled workers by German definition and, with rising unemployment, stand little chance of finding jobs.

Mr Ünal Akpenar, a Professor of Education at West Berlin's Free University, said the German authorities made the mistake of trying to get Turkish children "to think and act like German children." This was simply not possible, he said. "The walls of the ghetto are growing higher," he added.

Ali said that he was not really interested in Turkish politics, but that he was glad the terrorist killings were over. His largely apolitical views are typical of Turkish workers in West Germany, who are far more interested in the economic situation in Turkey. This is because they might consider a return home, if the Turkish economy were to improve significantly.

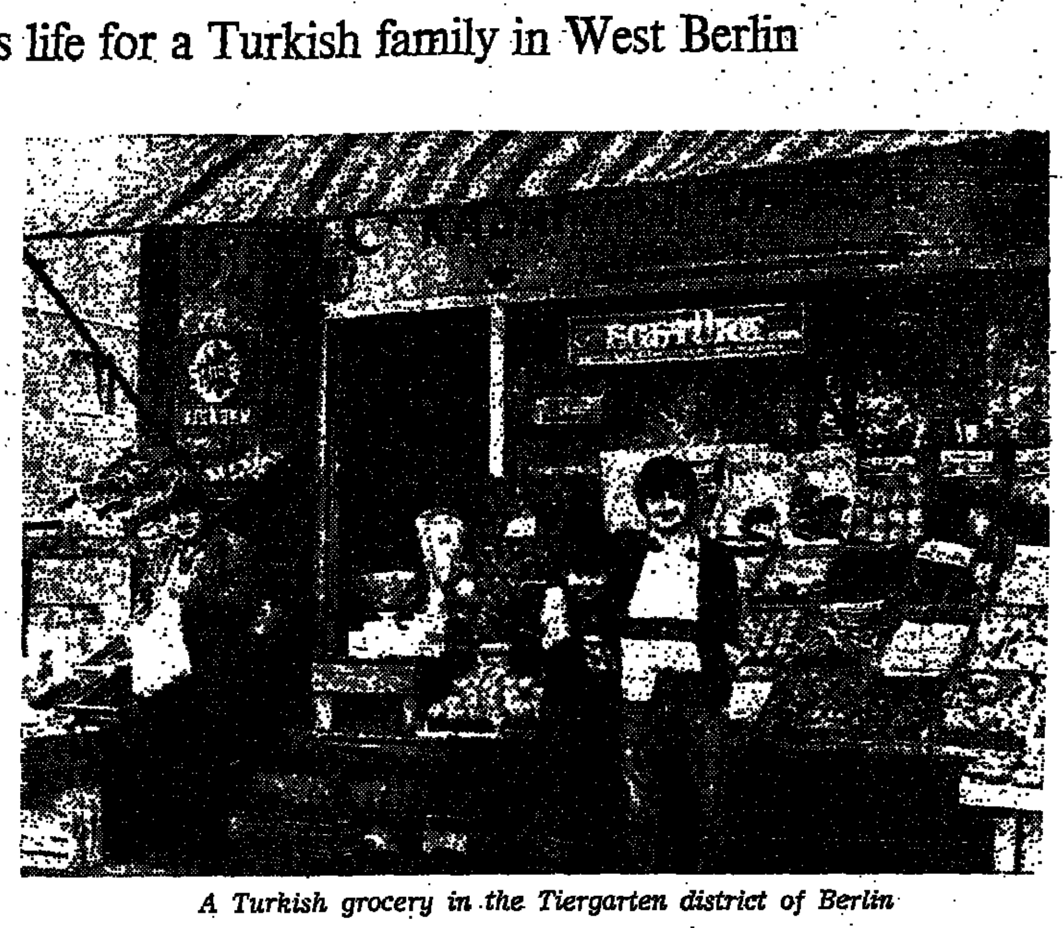
In the first few months of this year, some 20 Turkish families a day from West Germany were said to have returned to Turkey, which was double the rate of last year.

The Turkish Government, however, cannot be interested in any large-scale return of its workers in West Germany, who last year transferred DM 3.5bn to their relatives in Turkey.

The West German states are preparing to adopt a joint policy regarding the entry of Turkish family members into West Germany. This will limit entry of Turks to the wives or husbands of Turks living here, as well as to children under 18 years of age.

In West Berlin, the city government does not permit Turks to settle in three inner-city districts, where the Turkish population approached the 50 per cent mark. The Turks there, in the shadow of the Berlin Wall, form an exotic enclave, separating the Germans in East and West Berlin. They meet with as little comprehension from the East Germans they encounter when visiting East Berlin as they do from most West Berliners.

Ali is resigned to paying nearly DM 350 for a three-room cold-water flat with oven heating and a toilet one flight downstairs. Although his wife works full time as a seamstress, she takes enormous pride in maintaining a spotless flat in the middle of their decaying surroundings. What embittered Ali more than anything else recently was the word "Turkensau" (Turkish swine) scrawled in large letters on the walls of his tenement building.



A Turkish grocery in the Tiergarten district of Berlin

TURKS ABROAD
(000s end 1981)

	Workers	Families	Total
Western Europe	770	1,115	1,885
Middle East	150	9	159
Australia	15	17	32
Total	935	1,141	2,076

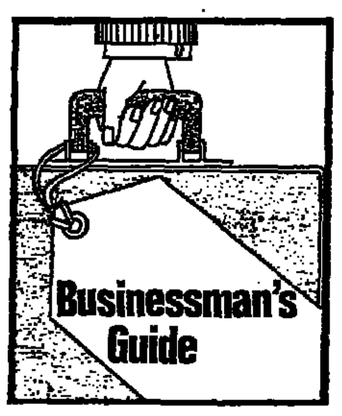
Source: West Europe and regional totals official Turkish figures. Others Financial Times estimates.

EMIGRANTS' REMITTANCES, $m

1978	1979	1980	1981	1982†
983	1,694	2,071	2,490	2,850

Source: Turkish Ministry of Finance. † Forecast.

Hints of the Orient Express



Travel

Flights. Flights in and out of Turkey can be heavily booked. Those inside the country are frequent, but you can lose your seat if you arrive less than 20 minutes before departure time. **Train.** The sleeper between Ankara and Istanbul may only hint at the opulence of the Orient Express but makes a pleasant change. **Taxis.** Taxis may have meters but they never work. At the airports there are counters where travellers can buy "tickets" for the official rate to his destination. This should help one pitch other fares. Taxis from hotels are more expensive than others, though doormen have fare lists.

Telephone and telex

Direct dialling abroad is available from most main Istanbul hotel rooms and Ankara hotel switchboards. Sometimes it is necessary to go through the international exchange which causes average delays of 30-60 minutes. Telex lines are usually good, but may break down for up to 24 hours. New telephones and telexes may take months to install. Communications are better in the morning and late in the evening. Most main Ankara hotel rooms do not even have dialling facilities for local calls.

Ankara

Hotels: The Grand Ankara Hotel (telephone 171106, telex 42398) remains the best hotel in the city—and a useful place to meet other businessmen. Other centrally placed and clean hotels include: Dedeman (171100, 42408), Mola (183140, 42294) and Tunali (278100, 42142). But eat out.

Restaurants: The Kristal (telephone 171260) is probably the best restaurant in town, offering Turkish and European food. Prices are relatively cheap, with a meal and wine for two costing around £16. Ataturk Orman Ciftligi Lokantasi (233230) has excellent Turkish cuisine 20 pleasant minutes drive from town at Ataturk's farm.

Surprisingly, fish is to be recommended in Ankara. Other restaurants for business lunches or dinners are the RV (270365), Kral Ciftligi (275087), Yakamoz (183586—also offering violins), Liman (302725) and Rihtim (272432).

Business contacts: The Ankara Chamber of Commerce (head Mr Turgut Ilhan telephone 243263) can be helpful. Ministers and civil servants are relatively accessible as, in particular, is the Foreign Capital Department of the Prime Ministry, head Mr Husnu Dogan (298421). Mr Zekeriya Yildirim (124949) is head of the foreign exchange department of the Central Bank. The major countries have useful commercial attaches. The EEC has a well-informed office, current head Mr Robert Cox (276145/6).

Pastimes: Ankara is neither interesting nor attractive. But the Museum of Anatolian Civilisations is a must. The mausoleum where Ataturk, founder of modern Turkey, is buried is worth seeing to gauge the feelings he arouses.

Istanbul

Hotels: There are three excellent centrally located hotels: the Hilton (telephone 467050, telex 22379), Marmara Etap (448850, 24137) and Sheraton (489000, 22729). Businessmen can arrange discounts through their companies. Those with time on their side will enjoy staying up the Bosphorus: Grand Tarabya (621000, 26203) and Yenikoy Carlton (621020, 26260).

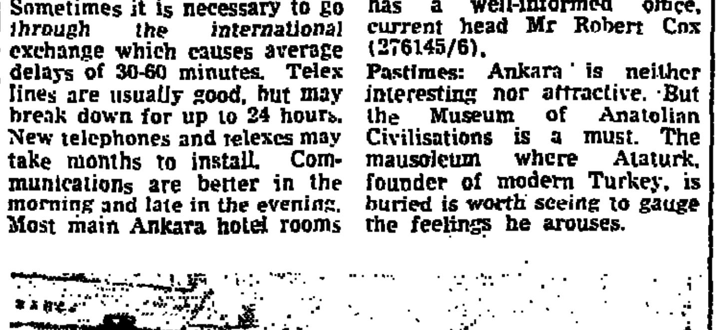
Smaller hotels include the Etap and Pera Palas (452230, 24152) where Agatha Christie and Kim Philby stayed.

Restaurants: Istanbul offers a large number of excellent restaurants. The city is famous for its fish. Newcomers are advised to consult friends (or waiters) as to which fish to eat as fish is seasonal. Tarabya offers a number of Bosphorus-side fish restaurants of which Facyo is noteworthy. The restaurant of the Divan Hotel (telephone 464012) is one of the best in town and ideal for business lunches. Camdan is the finest and probably most expensive restaurant and bar in town. It also provides after dinner disco music. Abdullah (telephone 636406) and Sureyya (telephone 635576) have delicious food and are in the top category.

Pastimes: Istanbul, astride two continents, and seat of the Byzantine and Ottoman empires, is one of the world's eternal cities. The Blue Mosque, Topkapi Palace, Santa Sophia Church, Kariye Mosque and Dolmabahce Palace are among the better known of the dozens of historic places of interest and museums. A taxi ride across the Bosphorus Bridge is recommended, particularly memorable is a leisurely boat trip up the Bosphorus or to the lovely Princes' Islands where Trotsky once lived. The covered market in old Istanbul is well worth a visit.

Mr Norman Covey (451793) formerly of the Chamber and Financial Times can also assist.

David Tonge



Fish sales in Istanbul

The generals have started a root-and-branch reform of political life to prevent a return to the chaos of the past. Here and overleaf are some of the problems they face.

The generals v the politicians

UNLIKE OLD soldiers, old politicians do not fade away. The generals' plan is to eliminate the crop of politicians who ran the country before the takeover, demolish the political parties from which they sprang, and open the way for a new generation of politicians.

"*Even at times when we* needed national unity and togetherness more than at any other time they almost encouraged polarisation and disunity," said General Kenan Evren, the head of state and *chief of staff, on the first day* of the coup, putting the blame for the near civil war conditions of the pre-coup period on the politicians.

"Instead of getting together to extinguish the fire, *either knowingly* or *for political gains*, they poured gasoline on the fire and tried to create a holocaust for the sake of coming to power."

The generals proceeded to take *many* steps to emasculate the politicians they ousted and ensure that they remained that way. Parliament was dissolved and all political parties abolished. A number of former party leaders and members of parliament are in jail. Former politicians risk stiff jail sentences if they make public statements on the "past, present and future" status of Turkey. Political activity of any kind, at any level, is forbidden to all. The press is muzzled.

Some 13 months after the coup of September 1980, when he dissolved all of the country's political parties, General Evren promised that he would "definitely" establish a democratic parliamentary system based on political parties. "But not with these present parties," he said. "Just as a house built with the rubble of a demolished house is bound to collapse, a democracy which *is built on the parties which brought Turkey to September* 12 (the coup) is destined to collapse as well."

On trial: former Prime Ministers Suleyman Demirel and (right) Bulent Ecevit

An as yet unspecified number of former politicians will be barred by the new constitution—expected to be submitted to a referendum by November—from entering the new parliament for at least one term.

Mr Suleyman Demirel and Mr Bulent Ecevit, the former prime ministers, as well as party leaders like Mr Necmettin Erbakan and Mr Alaprslan Turkes are virtually certain to be stripped of their political rights.

Apart from a new constitution which, in the words of General Evren, "will be closed to Communism, Fascism and currents directed at creating a theocratic state" new laws will be written governing elections and political parties. The legislation is being prepared by an *appointed consultative* assembly.

The generals announced that democracy would be restored by the spring of 1984 at the latest.

It is clear that the generals want to turn a new leaf. But whether they will be able to or not is a moot point because there are many people—the majority of them former politicians—sitting on the hook.

Many former politicians are, almost without any doubt, greatly to blame for Turkey's near collapse in the two years before the coup. But mea culpa is a term which does *not exist* in the Turkish political vocabulary.

Mr Demirel is behaving as if he were in the opposition. His Justice Party is no longer officially in existence but he still runs it with an iron fist *through his former Cabinet* ministers and provincial officials. His large office on the first floor of his house in Ankara is always crowded and his telephone rings constantly.

Twice ousted from power by the generals—the first was *in* 1971—Mr Demirel is the embodiment of the politician who Jean Paul Sartre, the French philosopher, described as the kind who can leave politics only in a coffin. He speaks freely in private *but has not made one* single public utterance. Looking calm and timeless like a god of the Far East, he seems to believe in the merit of good timing and to realise that if he spoke now not many people would listen either in Turkey or abroad.

The impulsive Mr Ecevit is exactly the opposite. Both in public and in private he began to attack the generals as soon as he was released from exile one month after the coup. He has spent two months in jail and is likely to spend many more for interviews he gave to foreign newsmen.

But his Social Democratic Republican Peoples Party (RPP) has more or less disintegrated. Mr Ecevit's telephone never rings because it is permanently off the hook, except *for the* times he wants to use it to make outside calls. It appears that he has chosen the path of martyrdom.

There are many former prominent members of the RPP vying for supremacy—a rather curious battle by people without political rights fighting for the leadership of a party which no longer exists.

Mr Necmettin Erbakan, the leader of the pro-Islamic movement, spent several months in jail. He now lives in Ankara, praying and fasting, while the trial against him and his colleagues slowly proceeds. He does not see the press.

Mr Alparslan Turkes, the formidable leader of the ultra right-wing Nationalist Action Party, has been in jail since the coup. He is on trial for his life, along with 219 others from his party, on *charges of* staging a civil war to create a Fascist dictatorship. He too does not seem to have given up. He has written several letters to General Evren asking that the charges be dropped and emphasising that he and the general share the same views.

The Turks have been through all this before. After the army's first coup in 1960, Prime Minister Adnan Menderes and two of his ministers were hanged and his followers in parliament jailed and stripped of their rights.

In retrospect both seem futile: the MPs got their rights back and those who *had in the meantime* replaced them were not, at least in the eyes of the army, apparently more capable since they too were ousted.

But then generals have got the guns and whatever they say will go.

Metin Munir

Ismail Besikci

Writer who upsets the generals

ISMAIL BESIKCI is one of the mildest Turks around, soft-spoken and, when at home, totally dwarfed by a rubber plant three times his size. But he disturbs the generals so much that a letter he wrote recently while in prison has just resulted in his being sentenced again, for 10 years. The letter, to the Swiss Writers' Federation, was never published.

It is now 14 years since he was first brought before the courts, and always the charge is the same. That he is trying to divide the nation by fostering separatism. In other words that he has been stirring up the country's 6-7m Kurds.

In 1968 his first detractor worte: "He does not accept that the Kurds are of Turkish origin and became Kurdish over *time.*" *To this* extent Mr Besikci, a former academic who has never done more than write, is being found guilty for his unbudging conviction in ideas which are prevalent abroad.

The Kurdish language is of a different origin to Turkish. Most historians believe the Kurds, who claim to be descendants of the Medes, were fighting Assyria, Sumaria and Babylon millenia before the Turks surged forth from Central Asia.

However, one Turkish prosecutor has insisted they are "mountain Turks" whose name comes from the crunch their feet make walking on snow. Others consider them the "fratelli perduti," lost brothers, of the Turks.

The generals' anxiety about *Kurdish unrest* is evident to anyone who visits the country's south-east. The area is dusty, impoverished and feudal. For long years before the 1980 coup there had been a virtual peasants' revolt under way. The Kurds form the major element of the population in the area, and the generals have seized on this fact and on the way an Eastern European radio *station has been* fanning Kurdish flames.

One former Minister is in prison for merely stating: "There are Kurds in Turkey. I am a Kurd." Mr Besikci, whose rigorously documented but polemical works challenge Ankara's orthodoxy suffers the same fate. Like him, his works are banned.

David Tonge

Trials without dignity

DO NOT LOOK for drama in a Turkish military courtroom. The major trials of the political figures and trades unionists active before the military takeover in September 1980 have gone on so long that even those defendants facing the ultimate penalty seem to have lost interest.

The various trials of Mr Bulent Ecevit, the former Prime Minister, and the death penalty requested for the 52 leaders of the DISK, the confederation of revolutionary trades unions, continue to excite horror and passion in Europe but the military Government appears to be increasingly exasperated with the train of well-meaning delegations from Europe attending the trials.

What seems clear is that General Kenan Evren and his colleagues will go to some lengths to justify their action in taking power and to ensure no repetition of the chaos and violence when they relinquish it.

The Mamak military base outside Ankara looks like a down-at-heel Butlins, but over 2,000 people are being detained there in conditions of varying rigour. Inside a specially built courtroom. Colonel Alpaslan Turkes and over 200 members of his extreme right-wing Nationalist Action Party are standing trial for attempting to subvert the constitution, set up a Fascist *dictatorship* and for several hundred murders. In all, 585 people associated with the NAP are being tried, 220 of them for their lives.

But amid the rows of lumpy young men, with prison crew-cuts and pinched prison faces, there are many empty spaces for a sizeable proportion have already been released and at least 70 of those facing the death sentence are out on bail.

In fact, Col Turkes is not being handled with particular clemency in his imprisonment while there have already been one or two executions of convicted terrorists on the extreme right. One of the NAP lawyers believes that while Col Turkes is under no great risk, some of the defendants may be executed.

Near farce

As a process, the trial was near farce. One by one young men came to the Bar, denied their original statements made almost routine sounding allegations of torture, bowed to the cool major presiding over the trial, and sat down. Col Turkes, his hair died black and sleek as sable, dozed for much of the time although whether from boredom or sickness it was hard to tell.

In another part of the camp, Mr Ecevit, former chairman of the banned Republican Peoples Party, is facing 6 to 14 *months'* imprisonment for allegedly contravening military decree 52, which bans former politicians from making statements about the "past, present and future status of Turkey," by giving *interviews* to the foreign Press.

The trial, now adjourned, was a relaxed affair, crammed with visitors and journalists.

In contrast, the DISK trial, being held in a sports stadium just beyond the Istanbul city walls, seems designed to provide justification for the *coup d'etat* and the more or less authoritarian system that will be part of a return to civilian Government.

The union federation, Turkey's second largest, has already been disbanded and some of its property sequestered. All 52 of the defendants, including Mr Abdullah Basturk, its former secretary general, face the death sentence for allegedly attempting to set up a dictatorship of the proletariat. A 53rd, Mr Ahmet Isvan, a former mayor of Istanbul, could also face charges related to DISK activities.

This is the most unpleasant of the Turkish trials. The defendants allege grave torture. The lawyers have been harrassed and take more seriously than their colleagues the ban on talking to the Press. The *arrest earlier this year of* Mr Orhan Apaydin, head of the Istanbul Bar Association, is generally considered to be related to his role as chief DISK defence lawyer although the grounds announced were otherwise.

The officer presiding has a hectoring manner, uses the insulting second person singular form, and ensures that there is no speechifying. A whole day was recently spent arguing over *what sort of struggle* DISK was waging. Economic and democratic, Mr Basturk insisted. Socialist or worse, the president kept on repeating, while the stenographer examined her finger nails.

Nobody expects *the* executions to be carried out. Some Istanbul businessmen would agree with an auto industry executive who said: "They are traitors, they deserve to hang." But this basically absurd trial could well provide a verdict which will be used to justify restricting trades union activity in Turkey.

James Buchan

Uneasy peace on the labour front

"TURGUT OZAL has only one policy—squeezing the stomachs of the workers." This sort of attack on the architect of the Government's economic policies has long been heard in private. It was doubly surprising to see it appear in public at the end of month.

Firstly because most newspapers printed the charge, and secondly because the words were those of Mr Ibrahim Denizcier, chairman of Turk Is, the only labour confederation which the generals left in operation and a body which since the coup has been noted for its circumspection.

To some extent Mr Denizcier may have been jockeying for position before this month's congress of Turk Is. Yet one of the undeniable features of recent years is how wage earners have lost out:

- Between 1977 and 1979 the share of wages and salaries in non-agricultural income fell from 47.8 to 33.8 per cent, according to statistics cited in a memorandum from Turk Is to the Government. Later figures are not available.
- Between 1977 and 1980 the real wages of unionised labour fell by 22 per cent according to Turk Is's memorandum and by 44 per cent according to social security figures.

Since then the banning of strikes and collective bargaining has resulted in at least a further 10-15 per cent fall in real wages, according to labour experts. A further measure of living standards given by the head of the Istanbul Railway Workers' Union has recently been cited in the press:

- In February 1982 the many non-unionised workers on the minimum wage had to work 73 minutes to buy a kilo of bread, compared with 44 minutes in 1963. Again in 1982 they would have to work 14 hours and 12 minutes for a kilo of meat, compared with six hours and 17 minutes in 1963.

It is a comment on government policy that statistics in this area remain inadequate and certainly the arguments above may overstate the extent wage and salary earners have suffered. For instance, workers' fringe benefits which were rising rapidly until September 1980 are not included in the real wage comparisons above. Equally, the net result of recent tax and pay pattern changes may slightly mitigate the trend against labour, but the drift of events is undeniable.

What it means is, of course, a different matter. With around 3m unemployed, some would agree with the employers' confederation which last month argued that those with jobs were a privileged minority. Others would argue that workers were overpaid. Yet others might say that rights such as severance pay had become totally excessive — though this last claim needs setting in the context of the state's own weakness in the field of unemployment benefit.

The counter-argument is usually some variation on the claim voiced by Mr Bulent Ecevit, the former Prime Minister, that the austerity policies launched in January 1980 were intended to cut workers' living standards and needed the bayonet for success.

None of these is completely defensible. For instance, inflation before 1980 appears to have hit real wages more than the austerity package and banning of strikes have since. But now the Government is making wage control an integral part of its anti-inflationary package, which, with the continued crack down on trades union activity is further demoralising an already dispirited labour movement.

Two elements

Before the 1980 coup this movement had two main elements. On the left was Disk, an avowedly class union movement backed by some 500,000 members and making the running in the private sector. In the centre was Turk Is, with around 1m members and particularly strong in the large state sector.

Today, Disk's leaders are in gaol. They have been among the worst treated of the junta's prisoners. They are now in the dock in an Istanbul sports stadium comparing their beliefs with those of President Francois Mitterrand of France while the prosecutor calls for their deaths —even if it would be a surprise if that penalty were given.

While Disk's affiliates are mostly now in the hands of state commissars, Turk Is has been allowed to continue, in a totally emasculated form.

After Mr Denizcier was photographed asleep at a recent Turk Is meeting, his laconic comment was: "How can one be more dynamic in this environment?"

Strikes, which had cost 7.7m working days in 1980 — five times the previous record — remain banned. All forms of collective bargaining are also forbidden, not least by a confidential circular of September 7 last year by General Necdet Ozturun, chief of the armed forces. It is, in other words, an exceptional period.

The exceptional measures include wage fixing by a "tripartite" High Judicial Council—which Turk Is privately criticises as "bosses body." They also include a continuing ban on the dismissal of almost all labour, a move introduced in 1980 to protect workers after the ban on strikes.

The foreign investor can readily find labour of most skills, and can count on the preparation of new legislation designed to deal with some of the anomalies of the past. One of these was the situation where firms could no longer afford to close down because compulsory severance payments exceeded their net assets.

Dr Ilhan Oztrak, Minister of State in the present government, insists that new legislation will safeguard the right to strike. "If the overwhelming majority of Turkish workers did not go over to Marxist Leninist ideas it was because they had the right to strike. It would be dangerous for us not to recognise that. That is the greatest guarantee that this right will be respected." However, he gave a warning in some areas, such as health, workers will be obliged to go to compulsory arbitration.

Some former politicians and academics express concern over the legislation being prepared by the Government, but officials at Turk Is are relatively sanguine: "The sense of collective bargaining is so strong that whatever the law we will have an acceptable system of industrial relations." Their approach is to "wait for the wind to pass" and to argue this is the best way of winning back the support of public opinion.

Disk supporters argue more militantly than ever, while in the centre Mr Halil Tunc, a respected former president of Turk Is who was chosen by the last President of Turkey (a retired admiral) as a Senator, becomes daily more outspoken.

In a recent newspaper column he attacked employers for deluging the authorities with "outrageous suggestions." They identify their interests with those of the country, he wrote, insisting that Ataturk, founder of the republic, had looked after the interests of workers and no-one would be able to turn the clock back to before his time.

Such comments underline how today's calm on the labour front may well prove a distant memory once civilian rule returns in less than two years —according to the generals' timetable—and workers seek to restore their purchasing power and union rights.

Mr Tunc has also been underlining what is perhaps an even more key question for the future, the need to tackle the country's unemployment. Here again statistics are inadequate, but the International Monetary Fund estimates unemployment at 15 per cent of the labour force and the Organisation for Economic Cooperation and Development warns it is likely to grow over the next five years.

The Government is beginning to shift its ground: "Labour intensive industries are what we need," Mr Turdgut Ozal tells visitors. For in this area Mr Tunc has been underlining what many Turks believe that "unless there are solutions, social upheavals are inevitable."

D.T.

Mrs Ilicak: in the midst of controversy

NAZLI ILICAK

Taking the flak from both sides

Mrs Nazli Ilicak, one of Turkey's most influential newspaper columnists is not everyone's favourite. Impassive and unblinking, she casts herself as a conservative worried about the Soviet threat to Turkey. But in her precise, convinced way she also tells visitors to the modern but ill-kept offices of Tercuman, the conservative daily newspaper, that she opposes dictatorship and that "the longer the generals stay in power the more they need to listen."

Her own defence of the old conservative politicians has set the generals against her. They object to her carping at their banning yesterday's politicians from tomorrow's political life. They closed Tercuman for a week when she complained of their closing down of political parties. She has two prison sentences for press offences pending.

Yet the left too has its doubts over a person it finds an unlikely symbol for press freedom. It has not forgiven her for the articles she wrote before the 1980 coup. Strongly anti-communist, she seemed to articulate the mood of right-wing authoritarianism the centre and left saw in the then conservative-neo-fascist coalitions.

To her critics she was blind to those coalitions' excesses and notably unsympathetic when, say, police attacked left-wingers burying their dead. More recently, her critics connect her with efforts to discredit Amnesty International's publicity of the generals' torture record.

The controversy does not disturb her. On the contrary, the visitor to her Bosphorus villa or newspaper offices outside Istanbul's crumbling Byzantine walls finds her thriving on the shot from both sides. For she has been a polemicist for over 20 years.

Her classmates remember her tough conservatism in their debating society. She herself describes how she was suspended from school for publicly applauding Menderes after the 1960 coup had overthrown him and led to her father, one of Menderes's ministers, being put in gaol.

"I could not shake officers' hands then, but I understand this lot is different," she says.

Other journalists are in prison—Mr Lutfu Oflaz for an ironic article attacking a neo-fascist party; Mr Niyazi Dalyanci and Mr Ali Sirmen for membership of the Peace Committee; Mr Aydogan Buyukozden, editor of a non-violent Maoist paper; Mr Suleyman Coskun, a well-known left-wing Ankara journalist; and some 20 others.

But Mrs Ilicak is a particular embarrassment to the generals because she attacks them from their own ground of anti-communism.

D.T.

IHSAN DOGRAMACI

A touch of discipline in the common room

PROFESSOR Ihsan Dogramaci has most university staff quaking. Ten years ago the large Ankara university of Hacettepe, which he had set up, was festooned with students' ironic slogans: "This is Dogramaci's farm." Today all the universities have been turned over to his hands. Many of Turkey's best academics talk privately of resigning. "Soon there may be no universities left," writes Professor Mumtaz Soysal, a well-known constitutional lawyer.

There is a striking contrast between Dr Dogramaci's critics' view of him as an arch-manipulator determined to bring the generals' discipline into the common room and the fatherly paediatrician who assures visitors he has always been against the status quo. But whereas in the past his power came from his ability to win others round, today it is buttressed by law. For he has become the head of a formidable body set up to run Turkey's higher education and which many fear spells the end of the country's long-cherished academic freedom.

Lecturer

Abroad Dr Dogramaci is known for 15 years on the executive board of Unicef, as Turkish representative to the World Health Authority (WHO), as a member of the standing committee of rectors of European universities, as a lecturer on child health at Paris V University, and as executive director of the International Paediatric Association.

At home he made his fame as the bureaucrat who became entrepreneur, bending people and rules to turn a burnt-down hospital at Hacettepe, into the country's leading medical centre. He was the university's first president, and remained its *emmence grise* after a shift in teaching politics encouraged him to develop his career abroad.

When he talks he makes the new higher education law seem a model of West European sense. It will help university departments collect funds for their work, ensure proper staff go to provincial universities, and allow students to transfer more easily between universities. YOK the Higher Education Council, is also establishing vocational schools to absorb some of the 400,000 people each year applying for Turkey's 50,000 university places.

But Turkey is not West Europe and the deluge of press editorials attacking the law underline such points as the degree of political control which will be exercised over the universities. Dr Dogramaci heads YOK, 17 of whose 25 members are appointed by the Head of State, the Government and the army. University rectors are to be chosen by the Head of State from names put forward by YOK. Rectors choose the deans of each faculty. YOK can dismiss or transfer teaching staff who are not in accord with its philosophy.

It is a measure of Dr Dogramaci's personality that he retains a loyal group of colleagues who insist he will bring sense to the sometimes confused world of Turkey's universities. But many university professors fear the powers given to him, and any possibly less academically minded successor.

One recent editorial stressed how Ataturk had made Turkey "a haven for European men of wisdom escaping Hitler's fascism." "Creative thinking freedom is under threat today," one professor says, and Professor Orhan Aldikacti, chairman of the general's constitutional commission says the YOK code does "not agree with the basic principles of academic freedom."

What with university staff's real income having halved in the past three years and YOK now saying it will centralise the design of university courses, the wind is blowing through the campus. Dr Dogramaci has yet to convince those under him that it is a summer breeze rather than a winter storm.

David Tonge

Professor Dogramaci, arch-manipulator or father figure?

The Ottomans called the Bosphorus Bir Nehr-I Aziz (a glorious river) and were the first people to enjoy it. Despite much destruction to the woods lining the seashore and the invasion of concrete, pollution and over-population, Istanbul continues to exude a magic beauty. Like Rome, it is one of the eternal cities of the world. Above is a tranquil scene on the Bosphorus.

The country is a long way off achieving its potential to attract holidaymakers.

Tourist industry gains confidence

TURKEY'S physical and cultural attractions could be among the best kept secrets in the world.

In the shape of Istanbul, it has the only city ever to have been the capital of three world empires — Byzantine, East Roman and Ottoman— and in Ephesus, Pergamum and what is left of Troy, it has classical sites to beat almost any in the Mediterranean.

On top of these, Turkey boasts 2,500 miles of largely undeveloped and unpolluted beaches along its Aegean and Mediterranean shores, as well as some of the most spectacular scenery to be found anywhere, such as the weird rock pinnacles of Cappadocia, snowy Mount Ararat, and the deserts of Anatolia.

Yet it has only come a trifling way to achieving its potential for tourism. Out of the 260m people worldwide who took a foreign holiday last year, only 1.4m went to Turkey, compared to 1.5m in 1979—and each visitors spent on average a mere six days there.

Turkey's relative emptiness may be an advantage for tourists who like a sense of discovery, but for Ankara, it means that a valuable source of foreign exchange remains to be tapped. Tourism contributed $277m (£154.4m) to Turkey's balance of payments last year, in Spain it contributed $5bn. Clearly, much remains to be done.

However, Turkey is moving in the right direction in several significant ways. The military takeover two years ago, which brought an abrupt end to the incessant terrorism that had given Turkey such a bad image, has laid the groundwork for a new sense of confidence by tour operators. There has been a steady increase in earnings from tourism from a paltry $20m in 1977 to a projected $350m this year.

The Government—sadly, like many of its predecessors—has declared tourism a top priority, and to this end has cut much, but by no means all, of the red tape which used to restrain investors in tourism. It has also introduced a range of incentives. They include:

- Allocation of government land at low rents for up to 99 years.
- Provision by the Government of planning facilities and basic infrastructure in tourism development areas.
- Availability of long-term credit at subsidised interest rates, up to 60 per cent of project cost.
- Exemption from construction and property tax, for up to five years.

These incentives have been enlarged by a new tourism encouragement law, which came into force earlier this year. Also important is the encouragement of tourism development areas, essential to Turkey's attempt to end its severe shortage of beds. Turkey has only 58,000 beds—five times fewer than its rival, Greece, which has a land mass six times smaller than Turkey.

World Bank loan

The largest of these schemes is the South Antalya development project, to develop part of Turkey's superb southern coast—which Anthony once gave to Cleopatra. With the aid of a $26m loan from the World Bank the aim is to provide the infrastructure to support 25,000 beds. For the first time in Turkey, a local authority has been formed in Antalya to co-ordinate the activities of investors attracted to add their own superstructure to what the Government has already done.

According to Mr Kemal Gokce, under-secretary for culture and tourism, work on sewerage and communications is all that remains to be completed. Eight applications for hotels and holiday villages have been submitted to his department.

Similar projects are under way at nearby Side, a former ancient slave market, and Koycegiz, to provide 12,000 and 10,000 beds respectively. On top of this, the ministry is conducting a campaign to improve standards in existing hotels, and working with the Ministry of Sports and Youth to offer more for student tourists.

To service the area and attract charter flights, the Government has opened an international airport at Dalaman with the aim of making its attractive south-west corner accessible to tourists. However, the airport opened a year later than scheduled. The delay forced one company, Thomson Holiday, to cancel its package tour to nearby Mugla. Thomson said the company was still considering whether to start the tour again even though the airport was open.

The development projects are primarily aimed at Western visitors. However, Turkey is aware of its potential for tourists from the Middle East, attracted by its combination of a familiar Moslem background and comparatively liberal social attitudes.

One private project is aimed specifically at Moslem tourists at Batikoy on the Marmara coast near Istanbul. The developer, Sinankent, is planning an Islamic vacation village, with a 300-room hotel and 200 holiday flats. It is scheduled for completion in 1987 and represents an investment of nearly $30m.

In spite of the Government's declared intention to encourage tourism, a residue of bureaucratic inflexibility still hampers some operators. For example, many hoteliers have to fight for the basic necessities of their trade, says Mr George Engelhardt, manager of the Istanbul Hilton.

"Trying to run an international establishment in this country is very difficult" he says. For one thing, he is limited by law to importing $50,000 worth of the materials he needs a year—not very much for a hotel such as his which expects at least 80,000 room nights a year.

Every imported item needs 12 invoices, which makes it complicated to import small objects, such as spare parts for the hotel's 25-year-old U.S. made washing machines. "If something breaks down, then we just have to scrummage around for someone who has that spare part," says Mr Engelhardt.

By law, all alcohol imports have to come through Tekel, the state tobacco and alcohol monopoly. Because of this, Mr Engelhardt had to wait more than three months for a shipload of alcohol to get through customs—and this is the only way he can obtain the Western spirits such as whisky and cognac which his customers expect.

Prices are another major problem. Every price in his hotel, from a haircut to a Coca Cola is fixed by the state, which makes forward planning difficult, he says.

However, he is optimistic about the future. "There is a considerable change in Ankara," he notes. "For the first time, people are interested when you talk. It still means you have to follow things up, but at least you feel somebody has listened."

William Dawkins

Carpets lose their appeal

UNBEKNOWN to the tourist haggling over endless cups of Turkish coffee with the carpet sellers of Istanbul's grand bazaar, these are hard times for Turkey's carpet dealers. Were the tourist more observant he or she might detect a keener edge to the sales pattern. And were they to know the reason why the tourist might, for once, emerge with a real bargain.

For the first time that any Turkish carpet dealer can remember carpet prices have actually dropped over the past three years, worse than that they have slumped. They are down by as much as 35 per cent whereas before they were always going up and up. For a Hereke silk carpet, which he could sell three years ago for between $4,000 to $5,000, the exporter now gets nearer $2,400. In real terms the percentage drop is about double that.

To quote one major exporter, Mr N. Mehmet Derin, profits are at "zero levels. If I didn't have a work force of some 10,500 I wouldn't be selling at these prices."

Given the long production cycle—it takes an average weaver about one year to produce one square metre of carpet—it is not easy to lay off staff. About 85 per cent of handmade carpets are still woven at home.

An increasing percentage of Hereke silk carpets, for which Turkey is most famous, are nowadays produced under more controlled conditions—in workshops or small factories housing between 10 and 20 looms. But the silk itself has to be collected, spun and kept for one year before use, making the production cycle nearer two-and-a-half years. This makes it difficult to adjust to changing market conditions.

Silk carpets—produced in Hereke and Kayseri—are the main export earners. They account for only about 25 per cent in volume terms but represent more than 50 per cent of earnings. Last year it is estimated carpet exports earned Turkey between $120m and $130m.

But because they are regarded as either luxury purchases or high value investments—they cost twice as much as Iranian silk carpets—Turkish silk carpet sales have been badly hit by the world recession. Demand is said to be down by as much as 70 per cent. An added depressant on the market is that some carpets are being exported at 40 to 50 per cent lower even than current prices under the "faconnage" production system. This is one of the various schemes used to settle, in Turkish lira, the country's non-guaranteed trade debts. Carpets are also being used as part payment for imports.

Prices of good quality wool carpets are less depressed, largely because of the sharp drop in Iranian production since the Islamic revolution. Iran which used to dominate wool carpet sales has seen its share if the world market halved from 60 to 30 per cent. But it is India and China, rather than Turkey, which is filling the gap both on price and availability—to the extent that the market for medium and cheaper-priced carpets is becoming saturated.

Despite the high quality of its carpets and its long history of carpet weaving Turkey has, at best, between 6 and 7 per cent of the world market.

Carpets account for only 1.5 per cent of export earnings. Foreign exchange income is a little higher at 2 per cent if carpets sold in the grand bazaar to tourists and expatriates for foreign currency is included.

Nearly 40 per cent of total exports are now handled by four major companies exporting on average between $5m and $10m each year every year. These are Derin, Ozipek and Durusel who are also the three who control most of the silk carpet production. The fourth is Sark which manufactures less but which probably sells most by virtue of its shops in West Germany.

The biggest

Derin is now reckoned to be the biggest combined producer and exporter replacing Durusel which was the first to set up as a major wholesaler and was the place where many of its present competitors trained in the business.

Derin is working towards a fully vertically integrated system. Already its Hereke silk carpet production process is undertaken in-house right from the breeding of silk worms at the main silkworm centre of Bursa. Mr Mehmet Derin is aiming to do the same with Kayseri silk carpets and eventually wool carpets.

Companies such as Derin and Durusul have largely replaced the bazaar and weekly carpet auctions as the heart of the carpet trade. Their role is now restricted to being the colourful hunting ground of tourists and expatriate residents. To the inexperienced buyer the bazaar atmosphere remain infinitely more enticing than the clinical export warehouses piled high with carpets in seemingly mass-produced fashion.

Margaret Hughes

Family life in rural areas. James Buchan reports

Forgotten villages

Outside the city centres Ataturk's reforms still have to contend with traditional values. The next two pages discuss how the balance of society is changing.

On the road east of Urfa, in south-eastern Turkey great convoys of lorries stocked with building and war material thunder down towards Iraq.

The road is bad and the driving worse. Every few miles, a truck is lying on its side, its cab smashed to a wafer. Some distance away, a Kurdish shepherd will be perched on one leg, staring with eyes as empty as the green steppe, as if even in their ruin these great engines exercise an unbreakable fascination.

A little south of the road, just short of the wire and watchtowers of the Syrian frontier, lies the tiny Kurdish village of Kantar, ringed by a hedge of dry cotton and buried in spring mud. As a village it is typical neither of Turkey nor of the south-east of the Kurdish steppe shepherd but it is not hard to find and its chief figure, Haci Mahmut, is a talkative man.

Three elements make life for the 50-odd households, all more or less related, somewhat untypical of the region. The first is the main road. Although the military Government has clamped down on smuggling by the returning lorry drivers, one or two of the village young men sport carefully preserved blue jeans, American cigarettes cause no surprise and there are half a dozen television sets.

The second is the border with Syria. Many of the villagers have travelled across and some speak moderate Arabic in preference to bad Turkish. Only one in 10 of the village girls speaks any Turkish at all, for their education ends with the village primary school whose chimney provides nesting for a pair of storks.

The hospital in the Syrian town of El Haseke has been known to admit severe cases from the village. The villagers say treatment there is free and nearer and better than the Turkish Government hospital in Mardin, 50 miles away. In fact, this is the only advantage of their position for they feel forgotten by the Turkish authorities.

Electricity was only installed two years ago and the village stands at the end of a long chain of water users.

The third element is the unmissable presence on the main road of Mr Nezir Devrimci and his new hotel with a parking lot for 300 cars.

Haci Mahmut says he is not an Aga, as are the Kurdish landlords of the uplands beyond Mardin who may boast 30 or more villages, with their livestock, buildings and peasants. But judged simply on the plastic flowers and velvet sofas in his guest room, he is a rich man. In fact, he owns some 1,500 donums (a donum is just under ¼ acre) under cotton, wheat and lentils, employs 300 and is in debt to the tune of Tl 32m—roughly the same amount that Nezir Bey borrowed from the Turizm bank to start his hotel. Otherwise, all but three or four families have a plot of 10 or so donums for their own needs.

They say that even in winter nobody starves, but the village is short of water, capital and work.

Kantar is in fairly bad repair, but as most of the houses are mud not stone, this is because of fecklessness rather than shortage of money. Capital is needed, rather, for women, seed, and farm equipment.

Sums as high as TL 1m (£3,800) can be demanded as bride price, but as none but Haci Mahmut and his immediate family could afford this, the settlement is very much lower and it is a tribute to village diplomacy that no girl of marriageable age has been left unmarried, both a shame to the village and a social problem.

Girls tend to marry at 14 or soon after, ideally their first cousin and almost invariably a boy they have seen and spoken to.

All those questioned had heard of family planning, but they said that the imam of the mosque had spoken out against what a doctor would call effective methods. But the death rate for infants is so high — seven out of 19 live births for Haci Mahmut —that there is little temptation to restrict pregnancies.

Haci Mahmut's thirst for capital was increased by difficulties with the cotton during the years of violence and uncertainty before the military takeover in Ankara in the late summer of 1980. After exhausting the patience of the Ziraat Bank, he was driven to the bankers (money lenders) before Nezir Bey persuaded him to sell 500 donums.

Haci Mahmut is hopeful that the worst is now past, but the police station beyond the village still insists that work stops in the fields at 5.00 pm.

As for the lack of work, three village boys are actually at the university but most of the young men return from the secondary school at Nusaybin with little to do if Haci Mahmut can give them nothing. It was this idleness, repeated in thousands of villages, that provided a recruiting ground for the Apocu, the Kurdish Marxist secessionists, brigands or plain Aga haters who terrorised the countryside in the late 1970s and still oblige the army to maintain a heavy presence in the area.

The last election in Kantar, in 1978, was supervised by armed Apocu. But the villagers also point out that even before the rise of the Apocu, the identification of local magnates with one or other of Mr Bulent Ecevit or Mr Suleyman Demirel meant that nobody could vote out of conviction.

An old man hobbles in. He claims to be a 100 years old, as old men do in Turkish villages. Asked to remember his military service in 19th century Syria, he stands up to speak but a curtain flaps somewhere in his old head and he sits down with a start and a smile of apology. He does say, however, that he cannot remember the countryside so safe. Everybody nods, but Haci Mahmut seems to be worrying about his crops.

Uncertain role for religion

"GENTLEMEN AND citizens, please note well that the Republic of Turkey will never be a country of sheikhs, dervishes, disciples or fools." Thus spoke Ataturk in 1925, but it is also significant that General Kenan Evren re-quoted him in a speech to mark the beginning of Ataturk centenary year.

He went on to emphasise the difference between atheism and secularism, one of the six main principles of Ataturkism. Secularism, he said, "makes the exploitation of religion as a tool in politics unreasonable and entirely illogical."

This good Ataturkist line, enshrined in the constitution (article 19), has proved to be somewhat more complicated to enforce in practice, although there have been petty edicts banning the features most openly associated with fundamentalist Islam — the wearing of beards and veils in public offices.

The Generals leave the impression, probably because of events in Iran under Ayatollah Khomeini and President Sadat's assassination in Egypt by an extreme Moslem fundamentalist group that they are aware of religion still being potentially an uncontrollable political force.

An issue in point of an apparent contradiction between keeping religion subservient to the state and ostensibly apart from politics has been religious education. In 1931 and 1935 Ataturk had religious classes formally banned in secondary and primary schools (although official Quranic courses held under the directorate of religious affairs were permitted). Yet last year in the autumn religious education was re-introduced compulsorily — an apparent breach of one of Ataturk's principles.

The decision appears to have been a hangover from the 1950s and 1960s when multi-party politics first of all was deliberately more sensitive to the feelings of the electorate — and, second, saw Islam as a counterweight to Left-wing ideologies and atheism.

Devout Moslem

It would seem that this political aim lay behind the decision. It had, too, an external dimension for the Turkish Government has been pressing for Imams to be permitted to enter countries, like West Germany, with large communities so as to offset any potential infiltration of Left-wing political thought.

In short, General Evren, a devout Moslem and son of an Imam, yet a man who deliberately made a point of not keeping the fasting month or Ramadan last year, seems caught between upholding secularism but at the same time not averse to using religious teaching as a controlling political force.

There are, of course, symptoms at which those apprehensive of a religious revival could take fright. There was the demonstration in Konya in August 1980, in which the National Salvation Party led by Professor Necmettin Erbakan played an important role.

Turbans were worn, beer shops stoned and banners in banned Arabic script unfurled. Some even refused to stand for the national anthem. Erbakan and 33 of his party are on trial for involvement in this.

Enrolment in Islamic teachers' training schools has risen. In 1963 there were 45 schools, in 1973 143, and in 1978 437. The number of students has risen from 9,284 to 36,378, and to 134,486 respectively, the number of teachers over the same period from 484 to 4,922. But in the end, the level of piety probably has not changed, even if it is more publicly demonstrated.

This is because Islam in Turkey — were it ever a conventional force and in spite of being the final repository of the Caliphate — never recovered from Ataturk's concerted assault. Between 1924 and 1937, for example, the Caliphate and religious courts was abolished, the fez outlawed, the dervish orders made illegal and their property confiscated.

Secularisation

The Christian calendar was adopted, the call to prayer changed from Arabic to Turkish, a new romanised alphabet introduced, school instruction of Arabic and Persian prohibited, religious classes banned at primary and secondary levels, and Sunday rather than Friday declared the day of rest. The 1937 Constitution merely put this secularisation in writing.

The result is that religion and its direction are now part of the civil service. Mr Tayyar Altikulac is in charge of Diyanet Isleri Baskanligi (Directorate for Religious Affairs), which is responsible to the Prime Minister. It appoints the 60,000 or so Imams operating, vets their sermons (of late without some success as some Friday Khutbas have been notably fundamentalist in tone), appoints the 1,500 provincial muftis, and controls the 55,000 mosques in use.

Even in this department, the conflict between the mosque and the Government arises. In recent months this occurred over the issue of whether girls, under an order from the Education Ministry, should wear headscarves to school. The Diyanet sent a four-page memorandum to the Education Ministry arguing that as the Islamic prescription that women should cover their heads posed no threat to public order they should be encouraged to do so. The subject was even debated with energy in the Consultative Assembly.

By curtailing formal party political life, the Generals could have, for the moment, shut off an outlet for expression which might strengthen the hand of religion. But the overall feeling is that Ataturk's secularism has won through. At the same time there are a wide variety of sects—ranging from the orthodox Sunnis (which make up some two-thirds of the population) and the unorthodox Shi'ite Alevis. The latter tend to be in the poorer areas and side with the Left. Their interpretation of Islam makes them by instinct more radical, and they would prefer a more secular government because they would, as a minority be more likely to find protection.

The mystic tradition of Tarikat, brotherhoods, remains strong, reinforcing Turkey's reputation of not being, because of its history, a conventional Islamic (albeit constitutionally secular) state. The Nakshibendis, the Mevlevis (whirling dervishes) and Bektashis are all theoretically illegal but offer more flexible attitudes towards formal religion.

Since the 1950s two more Tarikats — the Suleimancis and Nurcus named after specific people have emerged. The latter, for example, have played a more openly political role than other Tarikats, helping to set up the National Salvation Party.

But even if there have been a growth in overt Islam, and in foreign policy closer contacts with Islamic countries, the desire to go back to the old religious ways as an official doctrine, even by revolution, is not apparent.

Anthony McDermott

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هكذا من الأصل

Tough times for shanty town dwellers

ANKARA, like many other cities in developing countries, is surrounded by armies of squatters. However, Turkish squatters—if it is fair to call them that—are like no other squatters in the world.

In contrast to the dismal huts of corrugated iron and plastic containing a despairing people found outside Rio de Janeiro or Soweto, Ankara's shanty towns have an optimistic, almost jaunty air, despite their poverty. Many of their inhabitants own their land. Their homes are more like cottages than the shacks normally associated with such settlements.

These shanty towns are called gecekondus, meaning: "built in a night" shacks—so named because they were literally built in a night to take advantage of a Turkish law forbidding the summary destruction of inhabited dwellings.

Discontent

Ankara's gecekondu area, which contains one-third of the city's population of 3.2m, could still become a major source of social discontent. These people feel financial hardship more sharply than almost any others.

To take one example of the toughness of gecekondu life, Mehmet, who used to keep chickens, now drives a taxi. Wizened and greying, he considers himself comparatively well off by gecekondu standards. He earns between TL 15,000 to TL 20,000 (£55 to £75) a month—less than half the average wage.

Most of that goes on food for himself and his wife, with whom he shares his three-room breeze-block-and-wood construction along with three relatives. He also has to pay for repairs for the taxi he drives, and it is these which account for his TL 100,000 debts. On top of this, Mehmet, who is in his early 50s, has to send money to his two sons doing military service, as well as try to save for a new taxi to replace his present one in a few years' time.

Mehmet is worried because he is getting steadily poorer. Two years ago, he was relatively comfortably off, but now has to cut back on food and clothes to make ends meet. This is mainly due, he says, to the increasing price of petrol and a decline in the number of people taking taxis, while at the same time other prices go on rising.

Even so, Mehmet is relatively lucky because he owns his gecekondu, and like most others, it is far from being a cheap shack. Mehmet's is worth about TL 400,000—just under half the price of a similar sized flat in central Ankara. It is perched on the equivalent of a second storey above two other gecekondus. To reach it you have to pick your way through muddy streets and clamber up a crooked staircase.

Like most gecekondus in his area it has electric light, but no running water or sewerage.

The main room is incongruously furnished with modern terylene pile armchairs and a bookcase with a complete Larousse encyclopaedia.

Gecekondus are not in general as large as Mehmet's, and others often rent them from the local aga the *gecekondu equivalent* of a feudal landlord, who specialises in obtaining land from the Government and then renting or selling it.

Mehmet points out that the effect of financial hardship is *often softened* by the traditional gecekondu habit of helping one another. A friend of his recently became ill and everybody in the invalid's street gave his family enough money to survive until he could work again. *Apart from* crises like this, other families tend to survive by sending children and wives out to work at boot blacking or office cleaning.

This sense of interdependence is an inheritance from *the gecekondu's rural past.* Although they have been around in one form or another for more than a century, they began to grow quickly after the Second World War, when population growth in the country*side started to outstrip* the growth of agricultural productivity.

"*Overnight*" *homes outside the city*

In spite of the traditional strength of Turkish family ties, wage *earners left their villages* for the towns, where they found work in new industries, but nowhere to live, except for a gecekondu. As these were enlarged, the families followed.

The flood increased when the Democratic Party Government of Mr Adnan Menderes put into effect a major rural mechanisation plan between 1951 and 1953, sending 40,000 tractors into the countryside, making up to 1m farmers redundant.

Over the years most of Turkey's migrants to the cities came from the less developed areas, in particular from the mountains above the Black Sea, to settle in towns like Ankara and the more developed industrialised west. The result for Ankara has been a population increase from 25,000 to more than 3m over the past 60 years.

Further force was added to the tide with the Turkish construction boom in the early 1960s. This had the double effect *of providing more jobs in* towns as an additional incentive for poor or redundant villagers to move in, while, at the same time creating a further shortage of low-cost housing. Rocketing urban land *values made a further growth* in illegal settlements outside the cities inevitable.

It was at this point that a new breed of gecekondu dweller emerged. Low paid government officials and clerks, *who could no longer afford city* property, started to move into the shanty towns. These account for more than 9 per cent of Ankara's gecekondu dwellers, *according to one* academic.

The flood continued throughout the 1970s, helped by the continued mechanisation of farming and a lax interpretation of planning laws by successive governments, keen to win the political support of gecekondu dwellers, who account for 40 per cent of all urban dwellers.

However, migration from villages into gecekondus shows signs of abating because work is increasingly hard to find in cities. At the same time, gecekondu dwellers who want to move back into the villages are restricted due to shortage of cash and a shrinking market for their homes.

While gecekondus seem to have resulted from pressures similar to those which produced shanty towns in other countries, they still differ in some other revealing ways.

Contrary to the belief of even *many Turks*, gecekondus are not generally built by the people who live in them. According to one town planner only 11 per cent of Ankara's gecekondus were built or partially built by owner-dwellers.

As a by-product of this, a race of specialised express builders have emerged, capable of knocking up one room in eight hours or so, to beat the planning laws. There is also a well-developed market in instant second-hand building materials. There is one street in Ankara, Bentderesi Caddesi, which is almost exclusively taken over by shops selling second-hand doors, windows, and even ready-made walls.

Once the first room has been built, families tend to add the rest piece by piece when they *can afford it. In spite of this* piecemeal approach, many of the finished buildings have distinct architectural style reflecting the families' original villages. To cater for this, another market in ready-made plans has grown up.

Because they are designed with some thought, gecekondus have made as much a contribution to the value of the urban real estate, as they have to the demand for cheap labour in towns. They have incidentally *also helped villages by providing* a new market for agricultural goods.

Just as gecekondus have regional achitectural styles, so families from one area will tend to group their homes together, forming mahalles—neighbourhood units—and contributing to a social stability for which other kinds of shanty towns are generally not known.

However, gecekondus do not always resemble cottages, in spite of their generally rural background. In one area on the edge of Ankara, they can go up to 16 floors, crowding so close together you see people living on opposite sides of the passage between blocks playing backgammon by resting each end of the board on their respective window ledges, says Mr Korel Goymen, formerly deputy mayor of Ankara.

Of course it is not always as tranquil as the visitor may believe. The inhabitants remain *half-way* between being displaced villagers and unwanted urban invaders. Their village values are under threat. Financial pressures are forcing a gradual breakdown in their traditional structure of authority, meaning that power tends to be moving into the hands of wage-earners and away from village father figures.

The young people were fertile ground for the political discontent of the late 1970s. Even in Ankara and even in areas such as those close to the military hospital, or military prison, whole districts became no-go areas for those of the wrong political persuasion.

The gecekondu areas supplied many of yesterday's terrorists—and today's Government says it is keen to reverse the trend to the cities and encourage social peace by keeping people on the farm.

$28m credit

Ankara's city planners' attempts to relieve these pressures include a public housing project to provide 55,000 units 15 km west of the city. This was started two years ago with the help of a $28m credit from the EEC's European Resettlement Fund.

Mr Goymen, who was deputy mayor responsible for planning at the time, says the idea is to provide homes for people of all classes—including gecekondu dwellers, who will be offered interest free loans to move there when it opens in 1985. Similar plans are afoot in Izmit, Konya and Antalya.

In another effort to ease the problem, the Government produced a housing act last year, creating a special fund to encourage public and private firms to come together to build more cheap homes.

However, gecekondu dwellers remain desperately poor. Mehmet himself argues: "If there were no economic problems, then there would be no need for political argument in the gecekondus."

William Dawkins

Family planning still in its infancy

THAT WESTERN unmentionable—the condom—has never caught on in the Turkish countryside. The tale is told by Professor Nusret Fisek, the leading expert on population control in Turkey of the time the Swedish Government provided his research team with a large volume of these useful devices for a project in a group of Anatolian villages.

"It took us years to distribute the consignment," said Prof Fisek, of the Hacettepe University in Ankara. But why had they been received so unenthusiastically? "I suppose it was a matter of taste," he added.

The story illustrates the concern in Turkey at the growing population and at the same time the determination of the Turks to tackle the problem in their own way — which in the case of the recalcitrant villagers was the time-honoured practice of coitus interruptus.

According to the 1980 census, Turkey's population is growing at a net annual rate of 21 per thousand, easily the highest growth in Europe. This amounts by now to an extra million mouths to feed in a population of 46m, which will absorb almost half the projected economic growth for this year. Meanwhile, European countries, notably West Germany, are making it clear that they will not go on accepting surplus Turks into their economies indefinitely.

Soaring unemployment, overcrowding in Turkish cities, most notably in the shanty sprawls that house one-third of Ankara's and one-fifth of Istanbul's populations and Turkey's alarming infant mortality rate—again the highest in Europe—are further causes for concern. Most experts involved with the problem, including advisers to the Government, would be happier with a net population growth rate nearer 10 per thousand.

The military Government has embraced population control with enthusiasm. A programme to educate soldiers in family planning is already in force in the army and Gen Evren himself has spoken out in favour of limiting family size—a subject on which his democratically elected predecessors tended to keep silent. A Bill legalising abortion on social grounds, as in England, and sterilisation—both hitherto taboo areas—is now being tabled. Advertisements for smaller families appear on the television.

Yet family planning in Turkey remains a confusing picture. The wars that bled Turkey from 1910 to 1922 ushered in a period where the priority was to increase the size of families. Abortion and contraceptive drugs were outlawed and certain tax exemptions were allowed to large families. It was not until the 1960s that these policies were reversed and contraceptive aids and family planning education made legal.

Sharp fall

In the years after World War II, rising living standards led to a sharp fall in the death rate while urbanisation was having a much slower effect on the birth rate. An additional impetus from change in policy came from Ankara doctors who became disturbed by the sharp rise in the number of induced abortions and resultant deaths.

This tended to convince many Turkish experts of what they wanted to believe, that Turkey was a country where families of three or less were the norm and where contraception was desired, as in Northern Europe, rather than one where large families were the norm. A survey in 1978 showed that a majority of the women, questioned did not want a third child.

In fact, there are sharp differences in regional attitudes. These are most marked between the urban west and the rural east. In the 1978 survey in eastern Turkey, nearly half of the peasants asked wanted a fifth child, a tolerance more in line with some of Turkey's Muslem neighbours than with Istanbul.

Nevertheless, it seems clear that at least one in two Turkish women capable of having children use some form of contraception, and the need is now to provide more effective methods, such as the Pill and inter-uterine devices, and then, to popularise them. As a champion of community medicine, Prof Fisek believes this is most effectively done through the training and supervision of midwives or other women within each community rather than simply through the Government's 600 or so family planning clinics or the hospitals.

At present there is a lack of any effective services to apply the generals' professor family planning policies and to supply the essential follow up services to women practising birth control. Yet the various high growth projections — for example, 75m in the year 2000 —would seem to be unduly pessimistic and some experts believe that the growth rate will actually stabilise at European levels before the end of the century.

James Buchan

Export growth stays strong

TURKEY'S export performance probably constituted the single most dramatic development in the Turkish economy in 1981. Revenue from exports grew by almost 62 per cent over the previous year to reach $4,703m.

The Government expects exports to increase in value by a further 25 per cent this year, to at least $5,850m. This is the figure given to the International Monetary Fund (IMF) and Turkey's creditors. In private, however, officials make no secret of the fact that they expect exports to pass the $6,000m mark. Apparently the target was set low intentionally, so that it could be passed, allowing the Government to capitalise on the public relations value of a double achievement.

Industrial exports more than doubled in value last year to $2,290m. Exports of agricultural goods increased by about 33 per cent to $2,219m. For the first time, industry performed better than agriculture, traditionally the dominant sector of the Turkish economy. Export successes were achieved in a broad range of consumer goods and manufactured items, but the main export increases come in processed food products, ready-made wear and construction materials, including cement, iron and steel, and glass and ceramics.

There was also a substantial re-direction of export trade towards the Middle East and North Africa. Exports to regional Opec countries quadrupled to reach $1,630m. These countries' share of Turkey's exports jumped from 13 to 35 per cent. Iraq and Libya alone imported goods valued at $1,000m, five times more than the previous year.

Exports to countries in the Organisation of Economic Co-operation and Development (OECD) also increased, despite sluggish economic growth in industrial countries. They grew by about 35 per cent, to $2,264m.

In previous years two-thirds of Turkish exports went to OECD countries and one-third to the rest of the world. Last year exports were almost equally divided between OECD and the rest.

The re-direction of exports to regional Opec countries is expected to continue, as Turkey continues to capitalise on its proximity to the Middle East and North Africa and exploits its special political ties with a large number of these countries, including Libya, Saudi Arabia, and Algeria.

According to the calculations of Enka, Turkey's leading export house, Turkey is 1,500 "trucking" miles away from Baghdad, 2,000 miles from Tehran, and 2,500 miles from Riyadh.

"I don't think that any Western nation can compete in cost and freight with high quality Turkish refrigerators delivered to Tehran, plastic pipes to Riyadh or glass bottles to Baghdad," says Mr Serif Egeli, Enka's managing director. "Almost 30 per cent of their cost and freight prices are made up of transportation costs."

Turkey has also benefited substantially from the Iran-Iraq war—which shut down the Gulf harbours of both countries. There has been increased demand for Turkish goods and an increase in the amount of goods shipped across Turkey.

The war and several other factors—such as the sizeable increase in exports to Libya—has led some sceptics to argue that the increase in exports last year was largely attributable to ephemeral phenomena and could not be sustained.

There is some truth in this and experts do anticipate a drop in exports to Libya and Iraq, which are suffering from diminished oil revenues. However, say the experts, this will be more than compensated for by exports to such countries as Iran, Algeria and Nigeria—not to mention Western Europe.

The upsurge in exports owes much to both the acumen of Turkish businessmen, who are by and large newcomers to the export business, and the astuteness of the Government's policies.

The first, and probably most important, pillar of this policy is the application of a realistic exchange rate policy. This was achieved by breaking the old devaluation taboo and setting the parity of the Turkish Lira each day, by letting it more or less float in relation to the currencies of Turkey's major trading partners.

This has enabled the Turkish exporter to receive the true equivalent of Turkish Liras against his foreign currency and has shielded him from inflation and devaluation.

Exports are encouraged further through preferential access to subsidised credit—the cost is almost one third the normal rate. Exporters of industrial goods are entitled to retain half of their earnings from exports for their own export needs or those of their local suppliers. Twenty per cent of export turnover is exempted from the corporate tax. Waiving of import taxes, tax rebates for export production and priority access to Central Bank foreign currency reserves constitute other incentives. For the first time in Turkish history exporting is just about more profitable than any other business.

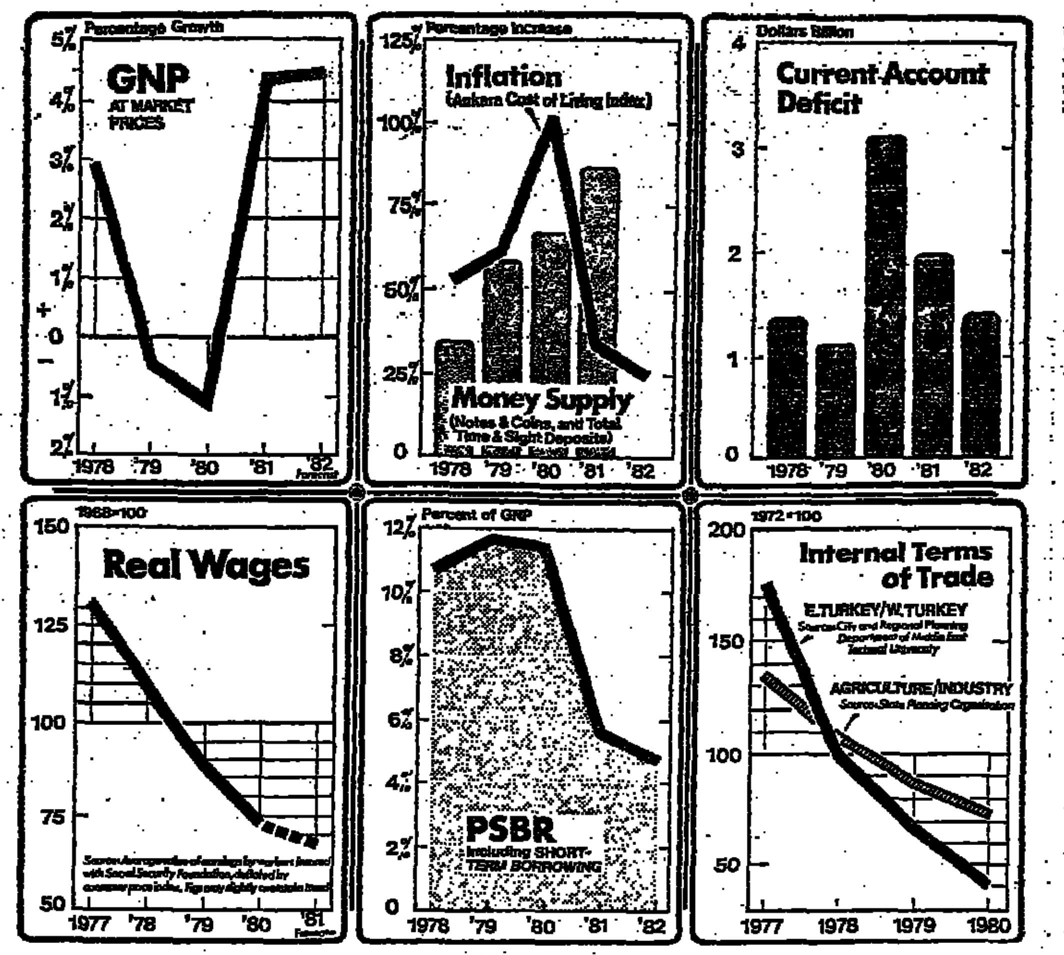
The Turkish export boom was achieved in less than two years and is likely to continue to show strong growth, provided the incentives remain attractive, red tape is further cut, and domestic demand remains depressed. A first-time exporter requires up to 25 signatures from 15 departments of the state. The latest OECD report on Turkey has suggested that less reliance on state subsidies for exports would reduce formalities and administrative delays "as well as being more in keeping with the rules of international commerce."

Metin Munir

TRADE

Middle East and North Africa

	'79 $	% of total	'80 $	% of total	'81 $	% of total
Exports	399m	17.7	661m	22.7	1.83bn	39
Imports	104m	20.4	3.15bn	39.8	3.57bn	39.9



Overseas contracts rise sharply

FROM NEXT YEAR Turkey's earnings from the activities of its overseas contractors are expected to become its biggest source of foreign exchange, after exports and workers' remittances.

Mr Nurettin Kocak, one of Turkey's leading contractors and chairman of the Contractors Union of Turkey, forecasts that overseas contracts will bring Turkey $1bn in 1983 and $1.5bn in 1984.

Turkish contractors have been phenomenally successful in the past four years, particularly so in 1981. The volume of contracts grew from $1.6bn at the beginning of 1978 to $4.8bn at the start of 1981. At the beginning of this month the volume stood at $12bn. Mr Kocak—whose own Kutlutas has contracts worth $750m in Saudi Arabia, Libya and Iraq—says that "unless the Opec members experience unforeseen setbacks," the volume should reach the $16bn mark by the end of this year.

Like the recent export boom, the growth in overseas contracting was caused by the economic crisis which contracted the domestic market sharply. The contractors went out earlier, however, because their crisis started earlier than industry's.

According to one estimate, the scope of contracting work available in Turkey in 1975 was less than one fifth of the work Turkish contractors could carry out with their then-existing potential. After 1978 the overall economic crisis, high inflation, the suspension of a number of government projects and slack demand for housing forced an increasing number of contractors to seek work abroad.

Last year the Government encouraged the exodus by providing the contractors with new incentives. Contractors' overseas profits are exempt from the 50 per cent corporate tax and bonds from the 25 per cent expenditure tax and stamp duties. Foreign currency deposited in Turkish banks by them is treated as convertible and made available on demand for transfer abroad.

One major problem which Turkish contractors may encounter this year relates to their activities in Libya where 70 per cent of Turkish contracts are concentrated. Libya is beginning to experience payment difficulties owing to the drop in its oil revenues.

While the larger and more experienced Turkish contractors seem prepared to cope with the situation, smaller ones which entered the market last year may run into difficulties.

Libya has offered some firms crude oil on a barter basis but one shipment worth $27m handled by the Kozanoglu-Cavusoglu group was not financially successful. Turkish contractors seem to be reluctant to accept crude oil in lieu of payment because they have no experience in the spot market.

The Turkish Government has entered into a dialogue with Libya to avert a payment crisis which could affect not only the contractors but also a large number of exporters. Libya, supported by Turkish contractors, has urged Turkey to step up its crude purchase from Libya from 2.5m tons to 4m tons. It has also suggested that Turkish workers in Libya be paid in Turkey by the Turkish central bank in Turkish lira. The Turkish Government seems reluctant to accede to these wishes but is also keen that the Libyan market does not shrink.

Some Turkish contractors believe that if the Turkish Government is imaginative Turkey could capitalise on the situation in Libya and increase its volume of work there.

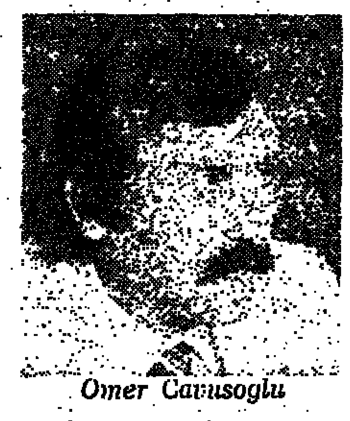
"This can be a very good time because other countries are avoiding Libya which they consider to be high risk," said Mr Akin Ongor, the director of Pamukbank's overseas contracting services director. "The Turks can easily fill the gap."

It would seem however that Libya's share will decrease in the coming years as Turkish contractors increase their activities in target areas such as Algeria, Iran, Iraq and Saudi Arabia.

M.M.

OMER CAVUSOGLU

Contractor in a hurry


Omer Cavusoglu

GLOSSY, slick and as rainbow-coloured as Joseph's coat—Mr Omer Cavusoglu's new newspaper Gunes is much like Turkey's other popular dailies. But soon after its birth three months ago the newspaper broke ranks, flouted a military ban, and started a campaign accusing one of Turkey's largest industrialists of smuggling earth-moving equipment firms, Caterpillar and Komatsu? A wish for publicity for his new paper?

Muck-raking in the U.S. tradition? Not quite. The industrialist just happens to be a competitor of Mr Cavusoglu and his partner in KC, Mr Ahmet Kozanoglu.

Today Mr Cavusoglu (pronounced Chow-usholoo) is untouched by accusations of opportunism or being a traitor to his class. "We had to show that nobody is too big to be above the law," he says in his basket-ball-court sized office.

Others are more sceptical of his motives. Revenge for the past? Competition between Hisarbank and those of the other industrialists, or as rival representatives of the equipment.

Not yet 40, he has so far had five careers:

● From 1967, contractor at home;

● From 1977, contractor in the Middle East, now with $1bn of work in his order book, mainly from Libya;

● From 1978, banker, in Turkey and the Grand Cayman Islands: "It helps smooth the ups and downs," he says.

● Industrialist, spreading into shipbuilding, and electronics and with a sudden near-monopoly of fruit juice;

● Publisher of a newspaper which in three months has built up Turkey's third-largest circulation.

The route he and his partner have followed—turning from a declining Turkish construction market to the rich pickings of the Middle East, and then using profits abroad to buy up ailing firms—is one that others have trodden. He explains Turkish success in countries such as Libya as a mixture of cheap labour, politics, religion and an ability to take the snap decisions on risk which can elude long-established companies.

Now KC is in the midst of spending TL 3.5bn (£13m) to build up its newspaper just as margins at Hisarbank are being squeezed and, most crucially, Libya has been having trouble in meeting its bills.

Retrenchment is not a thought that seems to cross Mr Cavusoglu's mind. Instead, he is a typical man in a hurry, angular and bony, determined to get what he wants and, a son of a former minister, well versed in dealing with governments.

Present plans include setting up a supermarket in Kuwait and a Turkish-Kuwaiti bank in Istanbul.

Even if KC's interests are too large for Ankara to neglect, their newspaper's attack on a fellow industrialist have cost them the goodwill of their clan. But then goodwill was never something they over-valued.

David Tonge

COMECON'S PROBLEMS

IMF: challenge from the East

By Max Wilkinson, Economics Correspondent

"THE COMMUNIST countries are different. You can't regard Romania, for example, in the same way as a Latin American dictatorship even though they may both be in a very similar economic mess."

That informal comment on the sidelines of the International Monetary Fund's conference in Helsinki last week illustrates a major dilemma which the fund is beginning to face in its attitude to the debt-ridden countries of Eastern Europe.

The issue was raised publicly by Mr Donald Regan, the U.S. Treasury Secretary, just before the fund's interim committee meeting. At the gathering the U.S. achieved some discreet support for its wish that the IMF should tighten its loan conditions, and it is recognised that this could prove particularly difficult in relation to Communist countries.

On the other hand, many central bankers, including the Bank of England, are desperately worried about the huge amount of loans to Eastern Europe from commercial and other banks which are now so precariously roped together. Many bankers believe that the IMF could plan an important role here if Hungary's admission to the Fund is followed by Poland and other Comecon countries.

The crunch comes in implementing loan conditions

According to this view the Fund in any case needs more cash through a substantial increase of quotas and should be more flexible about its terms of lending.

The anxiety about major defaults in Eastern Europe is therefore closely linked to the wider debate about the role of the Fund in giving help to the less developed countries on easier terms during a period of falling commodity prices, high interest rates and a worsening burden of debt.

But the Communist countries pose a special ideological problem. Broadly, the question is how can the Fund insist on financial disciplines for economies which not only officially reject the primacy of market forces in favour of central planning and directives but are also closely supervised by the Soviet Union.

Purists in such countries may regard the IMF's emphasis on market discipline as the beginning of wickedness or even see its officials as an advanced party for capitalist invasion.

Such a philosophical clash seems very unlikely in the case of Hungary, which was formally admitted to the IMF last week. This is because the country has been quietly overhauling its pricing and exchange rate policies for the past 15 years. However, even in this most market-orientated of the Comecon states, *there are issues which the Fund will need to handle delicately.*

Romania, a member since 1972 and now a substantial borrower, *poses more practical difficulties* for the Fund. These relate to the Fund's assessment of the economy as well as its ability to insist on reforms as a condition of borrowing.

Poland's application to join the Fund brings these problems into yet sharper focus. Its application is unlikely to get very far until the political upheaval there has been resolved. *An IMF team has already assessed* the Polish economy and is expected to return there later this year.

Poland's economy is regarded by the Fund as *failing* somewhere in between that of Hungary and Romania. Hungary is seen as being most like a Western market economy, and Romania more analagous to a Third World family-dictatorship. By contrast Yugoslavia, which is also a member of the Fund but not of Comecon, has a fairly market-orientated system.

In a confidential paper to the IMF board, officials point out that many of the problems *of Communist countries*—for example unrealistic or multiple exchange rates and a moribund pricing structure—are shared by many non-socialist regimes.

Thus, the balance of payments deficits and debts of the Comecon countries are seen as economic problems whose solution can be agreed at a safe distance from the jousting fields of East-West politicians.

On the other hand, the IMF has found that the crunch comes as soon as it gets down to the detailed discussions about how a particular regime will implement the conditions for a proposed loan.

As one official said: "There is a world of difference between those who get there basically by relying on market incentives and those who rely on a series of directives. *In some countries* nothing happens at all unless there is a directive."

This distinction can mean that the importance of money and of financial statistics may be very different in a planned economy compared with what is assumed in the West—and the financial aggregates are crucial to the IMF's efforts to assess and monitor its "clients."

For example, in Poland, as in Romania, there is a huge "overhang" *of cash kept in notes* under mattresses as well as in deposit accounts because people don't trust the official savings instruments or cannot find anything they want to buy.

The IMF, therefore, faces a *conceptual problem of defining* and measuring domestic credit and money supply even before it asks what would happen if market forces were to unleash all this pent-up purchasing power.

In Poland, for example, the Fund's officials have estimated that it would take at least six months to mop up all the surplus money, even if prices were *all doubled or tripled.* Romania, which has just begun a reform of prices at the behest of the IMF suffers the same problem.

However, in many planned economies including Romania, China and the Soviet Union, *prices and wages decided by* fiat do not reflect scarcities, real costs or the real demands of the economy. The relation between different prices may reflect nothing but the whims of forgotten planners. In China, for example, the framework of relative prices was set in 1949. These rigidities prevent planners or managers from receiving financial signals about *changes in the terms of trade* or, indeed, any other economic realities.

It is one thing for the IMF to identify these failings, but much more *difficult to suggest* practical remedies or sensible investments without the guidance of an efficient price system.

The practical result has been that in Romania, at least, the *IMF has been unable to* apply conditions with the same strictness as it would to a developed Western country in balance of payments difficulties. It has been forced to apply effective controls through those statistics which it believes are reliable—foreign borrowing and the trade deficit. However, these are regarded as the symptoms rather than the cause, which is excessive consumption and investment in relation to available resources.

China, which recently joined the IMF, has a quite different regime but many of the economic problems confronting the Fund would be similar to those in Romania.

In Romania, Fund officials seem fairly confident that targets will be met. The big question is whether this will happen in ways regarded as fair to the West, *sensible for Romania* and sustainable in the long run.

One danger is that as a result of inefficient pricing policies, imports may be restricted in a way that would deny vital supplies to domestic factories. *Another is that the regime will* be so desperate to increase exports at any cost that goods will, in effect, be dumped on the West.

Romania has yet to show how it will respond in detail to the IMF's guidance and supervision. Until it does, many of the industrialised members, particularly the U.S. will be wary of admitting other Eastern bloc countries.

As one delegate said: "Romania is small enough to be only a worry but not a matter of major international concern. However, if a large part of the Eastern bloc were in the Fund, *that could be quite different.*"

Even in Hungary, which talks "much the same language" as the IMF economists, some possible pressure points can be envisaged.

For example, Hungary allows *managers to make profits as an* important way of receiving signals from the economy they are serving, but what should be done *with those profits? Should* they be retained for investment at managers' discretion or should some part be distributed as salary differentials? These are important issues on which the Fund might have views which conflict with an orthodox Communist line.

For the present, however, *there is no sign of friction and* Mr Janos Fekete, deputy Governor of the Hungarian National Bank, says with practised ease: "We are a Socialist planned economy *under the* control of the market. There is no point in planning a new factory if there is no market for its output."

Sometimes, he says, there are *social reasons for planning* something which a market would not endorse—but that, after all, is happening all the time in the West.

The more difficult question—and one which nobody at the IMF *cares to discuss publicly*—is the extent to which the Soviet Union will allow it to insist on "sensible" economic management where this *overturns deep-rooted prejudices* in the Russian back-yard.

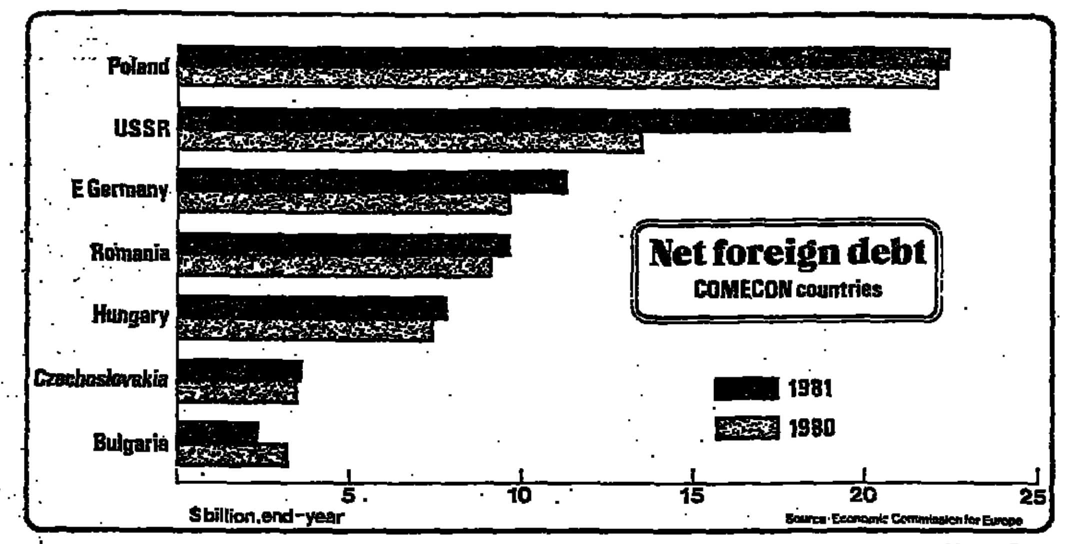
One experienced observer of the Eastern bloc said: "Some of them think the system doesn't work because it is not being implemented. Many think the system is wrong but they know they have to live within it."

The Fund starts from an article of faith

The pronouncements of the IMF, however delicately worded, *cannot ultimately avoid* that proposition.

Against all these difficulties the Fund starts from an article of faith that it should help countries' economic and payments difficulties, irrespective of politics.

As one central banker said: "There are non-Communist economies in a worse state than Poland and Poland's difficulties are the sort of thing the Fund was set up to deal with."



Marion Sedger

Lombard

Yet another Ministry

By Samuel Brittan

"WHEN IN doubt, set up a Ministry." This thought springs to mind on reading of the project for a new Planning Ministry, devised by the Labour-TUC Joint Liaison Committee and likely to be approved by Labour's National Executive Committee. They will provide great fun for the kind of Prime Minister or Cabinet Secretary who finds tinkering with the machinery of government a blessed respite from the intractable problems of actual policy.

At least 50 per cent of the attraction of a supposedly powerful new economic ministry, rivalling the Treasury, is that it provides a post for a politician whom the Prime Minister wishes to appease, or at least play off against other colleagues, without putting him at the very centre of affairs.

The new proposals claim to profit by the experience of Lord George Brown's ill-fated Department of Economic Affairs in the 1964 Wilson government. The crucial error in bringing about the OEA's failure is said to be that the Treasury was left in charge of public spending. But as Sir Leo Pliatzky, himself a distinguished former Treasury civil servant, well disposed to Labour, remarks in his new book *Getting and Spending*, the Treasury under Mr James Callaghan was certainly no obstacle to going beyond the previous Conservative government's "decision to increase public expenditure in line with an unrealised rate of economic growth and to increase it in excess of an unsustainable rate of growth."

The main result of railroading through over-ambitious public spending programmes was just the kind of stop-go which politicians condemn so loudly in Opposition. Public spending rose even faster than planned—by 6 per cent per annum in each of the two financial years from 1965 to 1967, followed by a frenetic expansion of 12½ per cent in 1967-68. (All these figures are after allowing for inflation.) There was then a dramatic switch to falling public expenditure in the final two years of that government as the new Chancellor, Mr Roy Jenkins, struggled to make devaluation work.

The failures of the first Wilson governments had little to do with Whitehall machinery. The crucial policy decision, taken when Labour was still in Opposition, was to *defend the sterling parity.* We now know, as the radicals of that period did not, that exchange rate changes are hardly ever the key to growth. Nevertheless *an early decision to float* the pound might at least have avoided the extreme changes of course and brought leaders of all political parties to *realise the internal obstacles to* growth a decade earlier than they did.

The new look Planning Ministry is likely to be based on the expenditure divisions of the Treasury. Prime Ministers and Cabinet Secretaries have played with the idea of a Budget Bureau separated from the Treasury for many years. The Americans already have such a bureau without any distinctively socialist results. The author of Labour's plan, who is presumably well versed in the ways of Whitehall, has not quite made up his mind whether the new Department should also breathe down the neck of the Department of Industry or even absorb it.

Despite all the lip service to decentralisation, selectivity and the involvement of trade unionists, the heart of Labour's plan to boost growth and reduce unemployment is still an old fashioned stimulus to demand. Import and price controls will be the main auxiliary weapons. *But would not something also* need to be done about wages to make it more likely that output rather than inflation received a boost? The author remarks that a view would be needed "on the movement in costs and prices which will support and sustain expansion and will be compatible with economic and social objectives."

Thus one is left with the final thought that the unfortunate minister who will have the job of trying both to moderate and to reconcile the main objectives will be none other than the Chancellor of the Exchequer; and that no amount of administrative tinkering will provide him with ideas or tools which previous incumbents have lacked.

Letters to the Editor

The rapid search for a way to run a railway

From Mr R. Bonwit

Sir,—Your realistic editorial (May 10) about the impasse on our railways holds out the hope of positive conclusions from the rapid survey to be undertaken by the *expert group headed by* Sir David Serpell. Indeed this is described as likely to prove "the most important survey of the system since Beeching."

The ultimate failure of the Beeching plan to endow this country with a viable rail service should be seen as due to the preference for direct costing instead of what is nowadays termed "avoidable costs." In this respect *your editorial asks* the important question how certain "social" traffic costs should be defined and who should bear them. In France, for instance, employers in the central areas of conurbations have to share the cost of public transport serving their employees. I fear, however, that your editorial was somewhat optimistic in asserting that in *this country "urban mass transit is already recognised as suitable for a subsidy"*; this does not tally, unfortunately, with the opinion of the highest court in the land—or perhaps this was one of the "glaring anomalies" mentioned in this context. The *contention that trunk routes* should be treated as "commercial" ventures "on the whole" requires more qualification than your brief reference to the environmental costs of heavy road traffic indicated.

You are on firm ground where you warn against the tendency to make important development plans—one thinks here especially of electrification—"too dependent on temporary labour difficulties," since the relative costs are quite out of proportion. But it was perhaps not fair to British Rail staff to *hold up BL as an example of* better labour relations. Indeed our motor industry has not, on the whole, proved so profitable or internationally competitive as to *justify*—*in purely profit* terms—the heavy subsidies provided for it over the years; their total does not fall very short of the funds allegedly "wasted" on our railways.

To a considerable extent the public has not derived the maximum benefit from our railway subsidies because fares have been kept so high as to deter many potential passengers; this may have proved to be a profitable book operation but it did not help the public by providing financially attractive services and keeping unnecessary traffic off the overcrowded roads. The Serpell group might be wise to spend a week or so in Sweden to see how a deliberate cheap fares policy can invigorate rail traffic without incurring overall losses.

It would, of course, be highly unpropitious were the Serpell *group* to lay any stress in its deliberations on the current—and only temporary—easing of the world oil supply situation.

Ralf Bonwit,
Sorby,
Kiln Lane,
Binfield Heath,
Henley-on-Thames.

Direct labour in the health service

From the Joint Parliamentary Under Secretary of State, Department of Health and Social Security

Sir,—Mr Jerrome of the National and Local Government Officers Association (May 6), *claims that contract NHS services* provided by the private sector are likely to cost more than direct labour. Let me make clear the Government's position *on the use of private contractors.*

Broadly the Government believes that the costs for hospital support services, now running at well over £1bn per annum should be critically assessed with the object of making savings—savings that can be used to improve patient care to show that we really mean "patients first."

The market place is the one clear test of cost efficiency. Only by going to tender for services like domestic, catering and laundry services can health authorities be sure of the cost position. But, of course, it is essential that the exercise of comparing direct labour costs against contract costs is done *on a fair and open basis.* We recognise that health authorities may not always be able to act in the absence of advice on the complex issues involved. We *will shortly be issuing guidance* that will assist health authorities to test out their costs objectively and to make the right decisions—in the interests *of their patients. This policy* is not a doctrinare one but is based on the sensible realisation that we must make best use of resources.

Mr Jerrome did not give details of the two cases he mentioned to "justify" his viewpoint, but certainly his second allegation that contract domestic *services at* Aylesbury are more expensive than direct labour costs was disproved by a detailed professional survey in 1979. I cannot believe that *the re-letting of the contract* last year has changed the position but I would be very pleased to analyse the cost details on which he bases his claim.

Geoffrey Finsberg.
Department of Health and Social Security.
Alexander Fleming House,
Elephant and Castle, SE1.

The Treasury model and forecasting

From the Chairman, ITEM

Sir,—Samuel Brittan's two articles (April 29 and May 10) on the Treasury model are a welcome attempt to de-mystify the activities of forecasters. He is right to caution against its use as *the final* arbiter in economic debate. ITEM has been using the model for the past five years and would vouch for the considerable judgment that needs to *be applied.* This is not a weakness of the model but a feature of all models.

Indeed, the ITEM club was founded in the belief that such judgment could *only* be provided by a broad cross-section of businesses, city and public sector economists. Equations need to pass the "reasonable man" test, *otherwise* one blindly follows the conclusions of an unknown guru buried somewhere in the Treasury. The debates on these areas of judgment are as valuable as the final forecast since they give *members* a sense of the vulnerable assumptions.

All the same, economic events are not random and so the past is a guide to the future and *mistakes can be made just* as easily by imposing prejudices.

As the articles note, it is quite amazing that forecasters, with different models and assumptions, produce such similar results. Perhaps here a club has its strengths. There *is less pressure to produce forecasts* like the previous ones or like all others. Economic journalists *are often in danger of* peddling the consensus at the expense of the outlying forecasts. The causes of such differences are normally detectable and the *process of economic* debate would be helped by commentators paying more attention to them.

Paul Cockle.
Scicon, Centre Point,
103, New Oxford Street, WC1.

European energy supplies

From Mr V. Stepanov

Sir,—Your report (May 7) on the U.S. proposals to tighten credit limits against the Soviet Union ties in with new *U.S.* attempts to persuade western Europe *not* to increase imports of Soviet natural gas.

The American argument that the new east-west gas pipeline threatens western Europe with being dependent on Soviet energy does not stand up to *analysis. In the 1960s the Nato* states agreed that deliveries of fuel from any one source should not exceed 15 per cent of their requirements.

Present deliveries of Soviet oil and gas, coal and oil products *do not exceed 6 per* cent. The new gas pipeline *would boost* this to 8 per cent—far below the Nato ceiling of dependence. In the case of West Germany, France and Italy it would not top 5 per cent.

The real threat of dependence in energy terms does not come *from the Soviet Union* but from across the Atlantic. Over 50 per cent of western European energy has come from American oil, gas and coal *companies for the past few* decades. In 1980 these companies received about $9bn net profit, of which $6bn was filtered back to the U.S.

The U.S. plan that American coal should solve western Europe's *energy* problems can also be seen as an attempt to find profitable markets for the U.S.'s vast coal reserves in a situation where coal is losing *to natural gas* on the home market. Since western Europe natural gas accounts for only 15 per cent of energy consumption (compared with 28 per cent in the U.S.), the use of more coal instead of Soviet natural gas is hardly in west Europe's economic interest.

V. Stepanov.
Novosti Press Agency,
Pushkin Square, Moscow.

Directors' equity interests

From Mr S. Penwill

Sir,—Mr Herbert Spender's letter (May 8) reflects sadly on his choice of investment. I will resist the temptation to reply in much detail and content myself to suggest that the remedy to the complaints of Messrs Hood and Spender is in their own hands; they should avoid investment in the companies of which they complain.

S. W. Penwill.
Room 5.23, 76, Shoe Lane, EC4.

Public Works Loan Board rates

Effective May 15

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13½	13¾	14	14½	14½	14⅝
Over 5, up to 6	13⅝	13¾	14⅛	14⅝	14¾	14⅞
Over 6, up to 7	13¾	13⅞	14⅛	14⅝	14⅞	14⅞
Over 7, up to 8	13⅞	14	14⅛	14⅝	14⅞	14⅞
Over 8, up to 9	13⅞	14⅛	14	14⅝	14¾	14⅞
Over 9, up to 10	14	14⅛	14	14⅝	14¾	14¾
Over 10, up to 15	14⅛	14	13⅞	14⅞	14⅞	14¾
Over 15, up to 25	13⅞	13⅞	13¾	14⅞	14¾	14¾
Over 25	13¾	13¾	13¾	14¾	14¾	14¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual Interest gross	interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051-548 6555)	13½	½-year	1,000	4-8

Danish computer company in £3m private placing

A Danish computer company has raised £3m in London in what is believed to be the first international private placing by a company in Denmark. Christian Rovsing, which produces and develops a range of advanced mini-computers, has placed 150,000 non-voting shares with a group of City and Netherland institutions.

Prior to the placement the company was wholly-owned by family interests of the founder and, now president and chief executive, Christian Rovsing, through the Christian Rovsing Foundation. The placing, handled by Creditanstalt-Bankverein and Bank Itec, is designed as a prelude to an eventual full quotation on the London Stock Exchange in two years' time.

The company, which claims to be the fast growing electronics group in Denmark, with net profit over the last five years climbing from DKr 766,000 (£54,000) to DKr 3.2m (£580,000) on sales up from DKr 66.2m to DKr 276.1m.

Employing about 800 people the group has been increasingly successful in securing a wide range of major customers for its data communication equipment that enables incompatible computer systems to be linked. Currently 28 per cent of its business comes from defence contracts for Nato.

It has also won a contract to supply equipment for the data communications network of the DHSS in Britain and for two major supermarket chains in the U.S., in addition to supplying units to a Shell subsidiary and Ericssons in the Netherlands for their corporate networks.

Mr Rovsing, who founded the company in 1963 after working with IBM, sees an enormous potential for the equipment—which his company developed from scratch—with the forecast growth of electronic mail and other types of computerised data communication systems.

The placing will enable the company to raise additional borrowing, now 34 per cent of the enlarged capital, to fund the expected sharp expansion of business until a full quote is obtained.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Australia and New Zealand Banking, BOC, Matthew Brown, Western Selection and Development.

Finals:—Bishopsgate Trust, A. F. Bulgin, Fortnum and Mason, Land Securities Investment Trust, Selincourt, Weeks Associates, Whitbread.

FUTURE DATES

Interims—
Management Agency and Music ... May 21
Moran Tea ... May 19
Scottish Investment Trust ... May 27

Finals—
Allied Irish Banks ... May 26
Associated British Foods ... May 24
Bentox ... May 21
Extel ... May 27
TR Industrial and Gen. Trust ... May 20

BAT's Third World policy

BAT Industries is to be asked to outline details of its policy of boosting cigarette consumption in less developed countries at the company's annual meeting on June 9.

The questions have been inspired by the World Development Movement, a British based pressure group on issues relating to the developing countries in the Third World. A resolution, which will be put at the AGM, calls for BAT to make available within the next six months a report outlining the company's policy in the Third World.

In his annual statement circulated to shareholders over the weekend with the full accounts Sir Peter Macadam, the chairman, says that the picture for the group is one of "significant underlying growth" aided by exchange rate movements. In 1981 group pre-tax profits expanded by 43 per cent to £884m, on a turnover 21 per cent higher at £9.27bn.

The chairman describes this as a positive advance because the true rate of growth has been substantial. Even allowing for the benefit of exchange rate variations, trading profit has increased by 15 per cent and attributable profit by 29 per cent. He says that the figures bear out the confidence expressed last year in the strength of the group's international and industrial diversity.

Sales growth in each industrial area of the group has been relatively evenly maintained but the contributions to trading profit are not so uniform, says Sir Peter.

Tobacco has increased its share slightly, retailing significantly and other trading activities, including cosmetics, have done well. A substantial drop in paper profitability is a reflection of an extremely competitive environment in which sales growth has been maintained to the detriment of margins. This also applies to some degree to packaging and printing.

A geographical analysis demonstrates that the principal improvements came from the UK (primarily tobacco operations), North America and Latin America (mainly Brazil), with some improvement also in Asia.

Referring to the group's Argentine tobacco operations the directors state in their report that the results were affected severely by a series of heavy devaluations of the Argentine peso. Volume was lower due to competitive and generally depressed economic conditions and this, together with increased costs and excise not fully compensated by price increases, caused a substantial reduction in trading profit.

Turnover in Latin America as a whole showed an increase from £1.5bn to £1.73bn, representing 19 per cent of the total, while trading profit went up from £78m to £131m or 21 per cent (17 per cent) of the total. Total assets employed there rose from £429m to £456m, representing 12 per cent (13 per cent) of the total group assets of £4.99bn (£4.06bn).

Capital spending by the group increased from £262m to £278m. An analysis shows that £136m (48 per cent) was spent on tobacco, followed by £65m (23 per cent) on retailing. Geographically the UK accounted for £68m (24 per cent) and North America for £110m (40 per cent).

The report discloses that the group has four employees earning between £60,000 and £70,000. The chairman's emoluments increased from £116,336 to £137,906. Four directors are shown to be earning between £65,000 and £80,000 while a further four had earnings of between £90,000 and £110,000.

Meeting, St John's, Smith Square, Westminster, June 9 at noon.

Stormgard's profits fall to £27,744: restructure

Taxable profits of Stormgard, the investment holding and dealing concern, have declined from £55,824 to £27,744 for 1981, on a reduced turnover of £656,935, against £1.6m.

The market value of the company's stock, which consists wholly of listed securities, was £68,138 (£122,541).

Tax charge was £10,985 (£20,266) and earnings per 10p share fell from 2.32p to 0.75p. There is again no dividend on the preference or ordinary shares for the year.

The directors say they consider that the arrears of the preference dividends and the present capital structure of the company inhibit any major development. They are therefore proposing that the preference shares be converted and sub-divided into ordinary 10p shares, ranking pari passu with the existing ordinary.

To compensate preference shareholders to some extent for the loss of dividend and other rights attached to their shares, the company will issue to them six ordinary shares for every one preference held on May 13 1982, by way of a capitalisation.

Under the proposals, existing ordinary shareholders will own around one quarter of the issued equity capital, but will be wholly relieved of the prior rights of the existing preference holders. The preference holders will give up their prior rights and will instead own some three-quarters of the issued equity capital.

The directors say these actions will create a more favourable base from which to consider the future development of the company.

London Private Health ahead of forecast

In its first trading period, the London Private Health Group reports a taxable profit of £41,500 for the year to March 31 1982. Turnover was £864,300.

The profits include the trading results from July 22, when the Garden Clinic was acquired.

Lord Constantine, chairman, says the performance compares favourably with the forecast of £25,000 pre-tax profit given in September 1981 in connection with the placing of 4m ordinary shares and the flotation of the company on the Unlisted Securities Market.

As indicated then, no dividend is being recommended for the year but, barring unforeseen circumstances, it is intended to pay one in 1983. Earnings per share are given as 2p (fully diluted 1.5p). Tax took £1,000.

The group is reviewing opportunities for development in the private health sector and expects to make an announcement about them soon.

Cramphorn deeper in the red

Heavier losses of £111,103 against £69,492 are reported by Cramphorn, distributor and retailer of garden and pet supplies, for the 28 weeks to January 2 1982. The interim dividend is held at 3p — the company's shares have a USM placing.

Turnover moved ahead from £4.31m to £4.61m, but there was a trading loss of £35,148 (£7,263). Interest charges increased from £52,229 to £75,960, but no tax was again payable.

The board says the increase in turnover is largely due to sales from new garden centres at Letchworth and Milton Keynes, for which there were no corresponding sales in the previous year. The continuing transfer of business from shops to garden centres has further accentuated imbalance between the two half year's results.

The board says that due to the severe winter weather, unavoidable losses of nursery stock were suffered in January, but since then, sales have been buoyant, particularly during the last few weeks.

This indicates that total sales for the year should reach their target.

A further garden centre was opened at Crewes Hill, Enfield in April, and the re-built and enlarged Chelmsford garden centre was re-opened a few days later. The directors say sales from both centres to date are "most encouraging."

Receivers for Tosan Group

Mr A. A. Benzie and Mr P. Ramsbottom, partners in chartered accountants Peat, Marwick, Mitchell and Co., Manchester, have been appointed joint receivers of the Tosan Group of Companies, whose trading subsidiaries — Windmaster, Calder Riverside and Multitrend—are engaged in weaving, dyeing and merchanting of sail cloth and other specialist fabrics.

The receivers are continuing to trade and are endeavouring to sell the business as a going concern.

Dorada trend is encouraging

Mr Thomas Kenny, chairman of Dorada Holdings, the motor vehicle distribution, engineering and merchanting group, said at the group's AGM that it lost money in January and February but was back in the black by March. This was the company's first profitable month since November 1979.

It was too early in the year to make any predictions but the trend was encouraging, he stated.

Ruberoid 'up in first quarter'

FIRST-QUARTER results for Ruberoid were ahead of those for the similar period last year, despite the adverse effects of January's bad weather, Mr Thomas Kenny, chairman, told the annual meeting in London.

As reported, the building products, specialist contracting, resin, paper and plastics group lifted pre-tax profits in 1981 by 48 per cent, from £2.27m to £3.36m.

Mr Kenny said the group had recently won the contract for roofing and cladding work at Torness nuclear power station in Scotland, worth about £6m over three years.

FT Share Information

The following securities have been added to the Share Information Service.

Nationwide Building Society 14¾% (14/3/83) and 14½% (4/4/83) (Section: Loans — Building Societies).

Trust Securities Defd. Conv. (Property).

Tollemache & Cobbold recovery

PRE-TAX profit for Tollemache and Cobbold Breweries, a wholly-owned subsidiary of Ellerman, recovered to £577,000 for 1981, compared with £17,000 previously. At halfway, the company reported a profit of £16,000, against a £110,000 loss.

Turnover for the year was higher at £23.73m (£21.21m). Earnings per share were given as 4.41p. The ordinary dividend absorbs £100,000 (nil).

Tax was nil, against an £8,000 credit, and there were extraordinary credits of £99,000 (£346,000). Attributable profit came to £676,000 (£371,000).

Mr W. E. G. Falconer, chief executive, says sale of the company's beers increased by 4 per cent overall. The underlying profit base is now strong, and he is confident 1982 will yield even greater success. Trade for the first four months has been most encouraging.

SPAIN

1982 High	1982 Low		May 14 Price %
350	335	Banco Bilbao	344
362	333	Banco Central	338
324	302	Banco Exterior	302
337	306	Banco Hispano	310
115	110	Banco Ind. Cat.	114
367	315	Banco Santander	325
235	200	Banco Urquijo	204
395	355	Banco Vizcaya	358
248	216	Banco Zaragoza	244
180	127	Dragados	148
69	60	Espanola Zinc	69
66.2	58.2	Fecsa	65.7
50	38	Gal. Preciados	38
68.2	61.7	Hidrola	67.2
59	50	Iberduero	53.2
104.5	87	Petroleos	90
101	94	Petroliber	99
40	5.50	Sogefisa	6
74	69	Telefonica	71.2
68	62.5	Union Elect.	66

BASE LENDING RATES

A.B.N. Bank	13 %	Robert Fraser	14 %
Allied Irish Bank	13 %	Grindlays Bank	‡13 %
American Express Bk	13 %	■ Guinness Mahon	13 %
Amro Bank	13 %	■ Hambros Bank	13 %
Henry Ansbacher	13 %	Heritable & Gen. Trust	13 %
Arbuthnot Latham	13 %	■ Hill Samuel	§13 %
Associates Cap. Corp.	13 %	C. Hoare & Co.	†13 %
Banco de Bilbao	13 %	Hongkong & Shanghai	13 %
BCCI	13 %	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	13 %	Knowsley & Co. Ltd.	13½%
Bank Leumi (UK) plc	13 %	Lloyds Bank	13 %
Bank of Cyprus	13 %	Mallinhall Limited	13 %
Bank Street Sec. Ltd.	14 %	Edward Manson & Co.	14 %
Bank of N.S.W.	13 %	Midland Bank	13 %
Banque Belge Ltd.	13 %	■ Samuel Montagu	13 %
Banque du Rhone et de la Tamise S.A.	13½%	■ Morgan Grenfell	13 %
Barclays Bank	13 %	National Westminster	13 %
Beneficial Trust Ltd.	14 %	Norwich General Trust	13 %
Bremar Holdings Ltd.	14 %	P. S. Refson & Co.	13 %
Brit. Bank of Mid. East	13 %	Roxburghe Guarantee	13½%
■ Brown Shipley	13 %	E. S. Schwab	13 %
Canada Perm't Trust	13½%	Slavenburg's Bank	13 %
Castle Court Trust Ltd.	13½%	Standard Chartered	‖13 %
Cavendish G'ty T'st Ltd.	14 %	Trade Dev. Bank	13 %
Cayzer Ltd.	13 %	Trustee Savings Bank	13 %
Cedar Holdings	13 %	TCB Ltd.	13 %
■ Charterhouse Japhet	13 %	United Bank of Kuwait	13 %
Choulartons	13½%	Whiteaway Laidlaw	13½%
Citibank Savings	¶12½%	Williams & Glyn's	13 %
Clydesdale Bank	13 %	Wintrust Secs. Ltd.	13 %
C. E. Coates	14 %	Yorkshire Bank	13 %
Comm Bk of Near East	13 %		
Consolidated Credits	13 %		
Co-operative Bank	*13 %		
Corinthian Secs.	13 %		
The Cyprus Popular Bk.	13 %		
Duncan Lawrie	13 %		
Eagil Trust	13 %		
E.T. Trust	13 %		
Exeter Trust Ltd.	14 %		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 10%, 1-month 10.25%. Short term £8,000/12 month 12.6%.
† 7-day deposits on sums of: under £10,000 10¼%, £10,000 up to £50,000 11%, £50,000 and over 11½%.
‡ Call deposits £1,000 and over 10%.
§ 21-day deposits over £1,000 11¼%.
‖ Demand deposits 10¼%.
¶ Mortgage base rate.

RECENT ISSUES

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or –	Div. or amount	Times Covered	Gross Yield	P.E. Ratio
140	F.P.	14/5	170	140	AIM Group 10p	169	–1	bd6.76	1.9	4.9	15.2
¶230	—	—	270	265	Assoc. Heat Services	275	......	b9.0	2.1	4.7	15.9
15	F.P.	15/4	30	19	Cambrian & Gen. 7½p	30	......	—	—	—	—
§105	F.P.	21/5	109	105	✠Cass Group 10p	108	+1	ud2.5	2.8	3.3	15.5
§260	F.P.	4/6	375	293	✠Cont. Microwave	370	......	56.25	3.9	2.0	13.7
60	F.P.	28/5	62	60	✠DeBrett(Andre) 10p	60	......	b2.5	2.1	6.0	11.4
§102	F.P.	—	135	122	Dew (George)	125	–2	g5.7	4.0	6.5	5.5
§130	F.P.	28/5	150	140	✠Druck Hldgs.	150	+2	b2.3	2.3	2.2	26.0
§87½p	F.P.	—	98	95	El'tro-Pr'teCpUS$0.50	96	......	uq1.6c	8.9	0.9	12.9
—	—	—	17	10	ΔGr'p Inv Option Crts	16	......	—	—	—	—
§250	F.P.	14/3	250	245	✠Io Technology	247	......	—	—	—	—
§ ‖	F.P.	—	275	257	✠Jebsens Drilling	265	......	b17.5	2.3	9.4	6.5
§120	F.P.	7/5	134	120	✠Leisure Inds.	122	......	b5.0	2.8	5.9	8.3
‖ ‖	F.P.	—	30	30	Osprey Assets	30	......	F1.4	—	6.7	—
136	F.P.	15/5	141	134	Standard Secs.	134	......	b2.8	1.2	3.0	40.2
¶¶	F.P.	—	90	70	Zambia Cons Cpr 10K	70	......	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or –
§99.393	£25	14/7	25	21½	Cred. Foncier de France 14¾% Lon. 2007	24¼	......
¶100	£10	1/7	12¼	11½	East Anglia Water 9% Red. Prf. 1987	12¼	......
¶¶	F.P.	—	136	136	First Nat. 12½pc Conv. Uns. Ln. 1987	136	......
¶100	F.P.	—	47	39	Grt. N'rth'n Inv. 4pc Net Cum. Prf. £1	47	......
¶100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	......
¶100	£10	—	11	11	Mid-Southern Wtr. 9% Pref. 1987	11	......
§100	F.P.	—	100⅞	100⅛	Nationwide Bdg. Soc. 14¾% (25/4/83)	100¾	......
=107	F.P.	29/4	113½	109½	Queens Moat 10½% Cnv. '89-91	113½	......

"RIGHTS" OFFERS

Issue price p	Am'unt paid up	Latest Renunc. date ●	■	1982 High	1982 Low	Stock	Closing price p	+ or –
10	F.P.	27/4	28/5	15½	13	Ansbacher (H.) 5p	14	–½
170	F.P.	13/5	24/6	195	185	Bank Leumi (UK) £1	185	......
125	F.P.	21/5	25/6	165	150	Beazer (C. H.) 10p	160	......
A$1	Nil	24/5	7/6	16½pm	5½pm	Bond Corp.	9½pm	......
135	Nil	—	—	64pm	33pm	Carless Capel 10p	33pm	......
30	F.P.	29/3	10/5	60	50	First Castle 10p	55	......
20	F.P.	30/4	28/5	45	41	Fisher (A.)	41	......
5	F.P.	10/5	21/6	6	5	Groveball (5p)	5½	......
500	Nil	20/5	18/6	90pm	75pm	Hammerson Prop.	75pm	–5
500	Nil	—	—	75pm	50pm	Do. A	50pm	–5
120	F.P.	7/5	4/6	169	144	Lilley (F.J.C.)	167	–2
145	F.P.	12/5	7/6	187	176	Low (Wm.) 20p	178	–4
18	Nil	21/5	4/6	14pm	3pm	North Kalguri	3pm	–1
6	F.P.	19/4	21/5	8	6½	Platignum 5p	7½	......
27	F.P.	29/4	27/5	29½	26½	Queens Moat	29	......
98	F.P.	16/4	4/6	107	99	Riley Leisure	106	......
170	F.P.	14/5	11/6	284	272	Steel Bros.	227	......
10	F.P.	24/3	23/4	12½	10½	Sturla 10p	11½	–½
135	F.P.	10/5	10/6	160	146	Vickers (£1)	153	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. r Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. * With warrants. †† Dealings under special Rule. ✠ Unlisted Securities Market. ‡‡ London Listing. ☆ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ☆☆ Unit comprising five ordinary and three Cap. shares. Δ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS TIMETABLE

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*AE	May 27	Int. nil
Allied Lyons	June 2	Final 3.0
*Allied Irish Banks	May 26	Final 4.5
*Assoc. British Foods	May 24	Sec. Int. 2.6
*ANZ Banking	May 17	Int. 14 cents
Avon Rubber	June 3	Int. nil
*BOC	May 17	Int. 2.31
BPB Inds.	June 24	Final 5.0
Baker Perkins	June 25	Final 3.0
*Bass	June 8	Int. 2.53
Bath and Portland	June 5	Int. 2.0
*Boots	May 27	Final 4.625
Brit. & Com. Shipping	June 18	Final 7.0
*Brockhouse	May 20	Int. nil
Brown Shipley	June 11	Final 7.5
Butterfield-Harvey	June 16	Final 1.0
Cap. and Counties Prop.	May 29	Final 2.4
Carless Capel	June 2	Final 1.75
Charter Cons.	June 23	Final 6.6
Chloride	June 24	Final nil
Chubb	June 24	Final 3.478
Coalite	June 3	Final 2.8
Cohen (A.)	June 11	Final 4.9
*Common Bros.	May 19	Int. 5.0
*Courtaulds	May 27	Final 1.0
Dawson Intl.	June 17	Final 5.25
*Debenhams	May 21	Final 4.324
De La Rue	June 2	Final 14.4
Electro-components	June 25	Final 5.5
Elliott (B.)	June 10	Final 3.0
English China Clays	June 18	Int. 2.7
*Extel	May 27	Final 5.75
Ferguson Industrial	June 15	Final 3.3
Ferranti	June 24	Final 4.0
GEI Intl	June 23	Final 3.555
Gt. Portland Estates	June 10	Final 4.0
Guinness (A)	June 12	Int. 1.575
Hambros	June 23	Final 160.0
Hanson Trust	June 10	Int. 4.25
Harrisons and Crosfield	June 2	Final 20.5
*Heath (C. E.)	May 18	Final 7.4
Hickson and Welch	June 4	Int. 2.5
Hill Samuel	June 11	Final 4.8
International Paint	May 28	Final 2.545
International Timber	June 16	Final 2.0
Johnson and Firth Brown	May 22	Int. 1.3
Johnson Matthey	June 17	Final 6.5
Kenning Motor	June 18	Int. 1.75
*Land Securities	May 17	Final 7.0
*London and Northern	May 19	Final 2.35
*London O'seas Freighters	July 14	Final 1.072
*MEPC	June 1	Int. 2.0
*Marley	June 2	Int. 1.0
*Metal Box	June 7	Final 6.51
Norcros	June 25	Final 3.56
*Northern Foods	June 10	Int. 1.8
Pegler-Hattersley	June 10	Final 5.5
*Pilkington Bros.	June 11	Sec. int. 5.5
*Pleasurama	May 20	Int. 2.5
*Plessey	May 27	Final 4.411
Powell Duffryn	June 24	Final 9.55
Premier Cons.	June 8	Final 10%
Racal Electronics	June 23	Final 3.4
Ranks Hovis McDougall	May 21	Int. 1.524
*RHP	May 27	Int. 2.0
*Redfearn Nat. Glass	May 19	Int. 3.0
Redland	June 25	Final 4.67
*Reed Intl.	June 7	Final 9.0
Renold	June 25	Final nil
Samuel (H.)	June 10	Final 4.75
600 Group	June 11	Final 2.91
Sketchley	June 9	Final 6.2
Stakis	May 26	Int. 0.45
*Tate and Lyle	May 26	Int. 4.0
Tesco Stores	June 17	Final 1.55
Trusthouse Forte	June 25	Int. 1.5
UBM	May 28	Final 1.0
Wedgwood	June 19	Final 2.425
Westland	June 10	Int. 2.5
*Whitbread	May 17	Final 4.6
Whitecroft	June 22	Final 2.6
*Wlvrhmptn. and Dudley Brws.	May 25	Int. 1.65

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

INTERNATIONAL CAPITAL MARKETS

CREDITS

Latin Americans brave quarantine

LATIN AMERICAN countries last week showed every sign of bravely trying to overcome the financial quarantine imposed on them in the Eurocredit market since Argentina invaded the Falkland Islands on April 2.

In Zurich on Friday, Sr Roberto Alemann, Argentina's Economy Minister, told Swiss and other non-British bankers that Argentina could cope with the effects of Britain's assets freeze so long as short-term lines of credit to Argentina were maintained.

Argentina did not need a general debt rescheduling, nor has it asked for International Monetary Fund assistance, he said, and for the time being it can do without further medium-term loans.

Elsewhere other countries have added their name to the list headed by Mexico and Venezuela of those seeking credits in the Euromarket.

Peru is sounding out banks through Wells Fargo on a $320m, six-year loan with a margin of 1½ per cent over Eurodollar rates or 1⅜ per cent over U.S. prime. Ecuador has mandated E. F. Hutton in Paris to raise a $400m credit on undisclosed terms to refinance the debt of private sector industry that has been hit by the devaluation of the sucre.

Yet developments such as these have left the Eurocredit market at best only partially convinced. While bankers agree that Argentina has so far had no problems servicing its loans from non-British banks, many still fear that this will change if the Falklands crisis is not resolved quickly.

The margin on the Peruvian credit is fully ¼ point higher than the maximum set only six weeks ago for Peruvian loans by its Prime Minister, Sr Manuel Ulloa. This reflects the country's own serious economic problems as well as the general caution of banks following the Falklands crisis.

The Ecuadorian credit is below the amount originally sought, which itself was whittled down to $500m from $900m after initial soundings in the market. E. F. Hutton is unlikely to syndicate the deal until the Falklands crisis has quietened down, and the same applies to another $200m short-term credit already mandated to E. F. Hutton by the same borrower.

Mexico's $2bn credit plan was making progress last week—it is to be discussed again at a meeting of banks in New York today—and Brazil is raising a further $300m for its electric utility Eletrobras. But for the rest, banks apparently prefer Europe as a calm haven from the stormy waters in the South Atlantic.

Spain's $450m credit met with a much higher market sell-down of 60 per cent than previously expected. France has managed the finest ever margin over U.S. prime rate for its latest public sector borrowing, a $600m credit for the state financial institution Credit National.

This deal was mandated last week, to Banque de L'Indochine et de Suez, Chase Manhattan and Manufacturers Hanover, and marks only the second time that a French state borrower has agreed to a margin over the expensive U.S. prime rate on a publicly syndicated loan.

The prime margin is only 0.1 point compared with ⅛ point on the previous deal which was launched last December by Credit Foncier de France.

The Libor tranche bears a standard margin of ⅜ point but built into the credit is a maximum flexibility for France to choose both the timing and the amount of funds actually drawn over prime.

If anything, the conditions on the French deal are slightly more favourable to the borrower than before, and banks are watching to see whether other European borrowers will now fair equally well. Among forthcoming credits is a new $300m package for Spain's Instituto de Credito Official and a large credit for the Kingdom of Belgium.

On the one hand Belgium could benefit from a "flight into quality," but on the other several bankers say that its practice of raising money privately has now left it looking rather over-borrowed.

Elsewhere Italy's state railway, Ferrovie, has launched a $300m package through Banque de Paris et des Pays-Bas. This combines a $100m, six-year floating rate note with a margin of ¼ per cent over Libor and a $200m, six year credit with a margin over U.S. prime rate of ⅜ per cent.

Peter Montagnon

INTERNATIONAL BONDS

A bout of indigestion

THE EUROBOND market ended last week nursing a rather heavy bout of indigestion. Excluding a $400m zero coupon issue for Sears Roebuck launched on Monday, investors were offered a further $925m in new fixed interest paper to add to the $990m on offer the week before.

With one or two exceptions most of the new issues met with varying degrees of resistance as the long-awaited decline in interest rates remained a chimera on the distant horizon.

Six-month Eurodollar interest rates actually rose over last week, putting on a ¼ point to 14¾ per cent, and in the secondary market dollar Eurobonds shed ⅜ per cent on average.

Some newer issues were under even greater pressure, however, and dealers were citing the $100m Bank of Montreal issue, the $100m GMAC bonds and the $50m Illinois Power issue as being among the few to have met a reasonably good reception.

"For the rest," said one issue manager, "the market needs a convincing downward thrust of short-term rates to move the overhanging paper."

A case in point was the $500m semi-private placement for Mobil offered in three tranches with coupons of 13⅞ and 14 per cent through UBS (Securities). The coupons were below money market rates and on Friday the paper was being quoted below the selling group discount, though it did not fare as badly as the $75m, 14¾ per cent issue for W. R. Grace which was trading at a 2½ per cent discount on its 99½ per cent issue price.

By Friday, however, the clouds were lifting slightly and secondary market prices managed to put on small gains as traders closed positions before the weekend. This week will in any case be rather quiet as many dealers will be away in Venice for the annual meeting of the Association of International Bond Dealers.

This could also restrict the flow of new issues. Friday saw only one small new fixed rate offering: a $65m, seven-year, 15 per cent issue for Florida Telephone through Smith Barney. A shortage of new issues next week would be welcome as it would allow investors to carry on chipping away at the mountain of new paper that remains unsold.

Dealers in Germany were also looking for a further fall in dollar interest rates to rekindle enthusiasm for D-mark foreign bonds. The Bundesbank's abolition of the special Lombard rate two weeks ago was discounted by the market in advance and there is now a sizeable interest gap between Germany and the U.S.

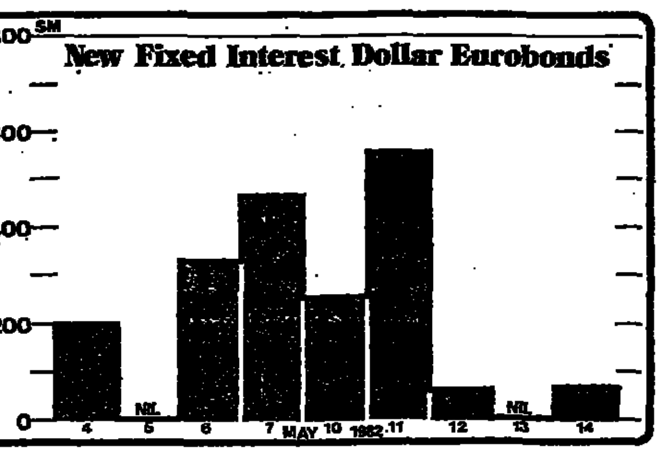
German bond markets have also been feeling the pressure of public sector financing, while the dollar strengthened last week to DM 2.3060 from DM 2.2905 so that D-mark foreign bonds shed ⅝ points over the week as a whole.

In contrast, Swiss franc foreign bonds put on another ½ point on average as banks again moved to cut short-term deposit rates. This is drawing money out of the short end of the market in favour of longer term bonds, dealers said.

In the Japanese bond market, the Y20bn Samurai bond for the EEC was priced last week with an 8 per cent coupon at 99.85 to yield 8.027 per cent. Daiwa is leading this debut issue for the EEC.

A lack of supply in the Samurai sector led prices to rise between ¼ and ½ points last week, while prices of the benchmark 6.1 per cent 1988 Government bond fell ½ point in a week of quiet trading. The Euro-yen sector was unchanged.

P.M.



BAHRAIN BANKS

Growth continues despite oil glut

LAST YEAR'S attempted coup had virtually no impact on Bahrain's international banking community. Far from inducing a slowdown in new business, assets have grown at a boom rate so far this year.

Mr Abdullah Saif, Governor of the Bahrain Monetary Agency, says that total assets of the 65 operational offshore banking units grew by $4.9bn in the first quarter to a total of $55.6bn.

This is more than double the $2.3bn growth of the same period of 1981 and compares with an average monthly growth for all last year of $1.1bn.

Bankers in Bahrain say the continuing growth is in part due to the expanding operations of the two local giants—Arab Banking Corporation and Gulf International Bank. But the figures also suggest that there is little reason to suppose that the declining oil price will impair Bahrain's strength as a financial centre.

Last year OPEC countries as a group were net takers of funds from the world banking system, and fears have been expressed in Bahrain that as this process continues offshore banks could become starved of new deposits.

Yet despite its location Bahrain has never served as a significant repository for official surplus funds from the Gulf. It has relied much more heavily on the private sector liquidity of the region which still seems abundant.

Also offshore banks in Bahrain have now built up a substantial loan portfolio in the region itself. Bahrain has become vitally important as a lending centre as well as a source of funds.

A large part of this lending —possibly around a quarter— goes to Saudi Arabia where loan demand in connection with the start-up costs of new projects has been running at very high levels.

One of the fears expressed by some international bankers in Bahrain is that Saudi spending on new projects could eventually decline if the oil glut continues. This could indeed mean a contraction of banking business in Bahrain.

For the time being, however, bankers still report a wealth of new lending opportunities in Saudi Arabia whose spending programme is so large that it simply cannot be stopped dead in its tracks.

P.M.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
American Medical§‡	25	1997	15	9¼	100	SBCI	9.464
CCF¶†‡	150	1996	14	—	100	CCF, CSFB	—
Arco¶‡	200	1990	8	13½	100	Salomon Bros., CSFB, Merrill Lynch	13.500
Sears Roebuck‡	400	1994	12	0	23¼	Dean Witter, Daiwa Secs.	12.826
Superior Oil‡	125	1989	7	14	100	CSFB	14.000
Eurofima‡	50	1990	8	14¼	100	Merrill Lynch	14.250
W. R. Grace ‡	75	1989	7	14¾	99½	Merrill Lynch	14.870
LTCB†‡	60	1992	10	5¼Φ	100	LTCB Intl., CSFB	5.250Φ
Illinois Power	50	1989	7	14½	*	CSFB	*
Mobil Oil‡	150	1984	2	13⅞	100	UBS Secs.	13.875
Mobil Oil‡	250	1985	3	14	100	UBS Secs.	14.000
Mobil Oil‡	100	1986	4	13⅞	100	UBS Secs.	13.875
MIM†‡	100	1989	5½	—	100	BA Asia	—
Mead Intl.	60	1989	7	15¼	*	Hambros Bank	*
Florida Tel.	65	1989	7	15	*	Smith Barney	*
Kollmorgen§	20	1997	15	9/9½	100	Merrill Lynch, CSFB, SG Warburg	*
D-MARKS							
Iceland‡	75	1992	10	9½	100½	West LB	9.172
Escom‡	100	1990	8	9½	100	Dresdner Bank	9.500
Bowater	50	1989	7	8½	99½	BHF Bank	8.598
Austria‡	100	1992	10	8¾	100	Deutsche Bank	8.375
Helsinki	50	1992	7½	8⅞	99½	BHF Bank	8.992
SWISS FRANCS							
Taiyo Yuden§**	60	1987	—	6¼	100	CS	6.250
Kobe City‡	100	1992	—	6⅛	100½	UBS	6.091
Belgium**‡	100	1987	—	7⅝	100	CS	7.625
Renfe	80/100	1992	—	7¾	100	SBC	7.750
JDB**‡	200	1988	—	6½	100	UBS	6.500
Ind. Fund of Finland	40	1992	—	*	*	Banque Gutzwiller, Kurz, Bungener	*
Oki Electric**§	50	1987	—	6½	*	SBC	*
Lonrho	80	1992	—	*	*	Banque Keyser Ullman, Kredietbank Suisse, Nordfinanz-Bank	*
GUILDERS							
Ireland**‡	75	1987	5	10½	100	ABN Bank	10.500
EIB	200	1992	10	10	*	Amro Bank	*
LUX FRANCS							
Norddeutsche LB‡	400	1989	7	12½	100	Banque Den. du Lux	12.500
ECUs							
Hydro-Quebec	40	1989	7	*	*	Kredietbank	13.500
YEN							
EEC‡	20bn	1992	9	8	99.85	Daiwa Secs.	8.022
Oslo‡	15bn	1992	9	8	99.30	Nikko Secs.	8.268

* Not yet priced. ‡ Final terms. † Floating rate note. Φ Minimum. § Convertible. ** Placement. ¶ With warrants. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US BONDS

Predicted rally fails to appear

THE WIDELY predicted rally failed to materialise on Wall Street last week despite another drop in the money supply the previous Friday and more budget bargaining on Capitol Hill. By Friday bond prices were showing slight losses, though short-term interest rates were little changed. The bankruptcy of Braniff International, the major airline, was a stark reminder of the strains in corporate America though it had little market impact.

Investors were unnerved by some unexpected flickers of life in the economy which triggered fears of a new upsurge in credit demand. Reports for April showed a healthy decline in inventories and a boost in retail sales. Car sales in the first few days of this month were also surprisingly strong. All this defied the conventional view that the economy is flat on its back and unlikely to get up before mid-year.

U.S. INTEREST RATES (%)

	Week to May 14	Week to May 7
Fed. funds wkly av.	14.85	15.42
3-month Treas. bills	12.45	12.25
3-month CD	*13.90*	*13.75*
30-year Treas. bonds	13.22	13.08
AAA Util.	15.50	15.50
AA Industrial	15.00	14.88

Source: Salomon Brothers (estimates). In the week to May 5 M1 rose $800m to $443.9bn.

The stubbornness of the Fed funds rate is another worry. This key overnight bank rate has stuck around 14 to 15 per cent for several weeks despite much talk that a "break" is imminent.

The reason is partly technical. The Treasury sopped up enormous amounts of money during last month's tax payments and has only been able to deposit part of it back into the commercial banking system. The rest has been placed at the Federal Reserve where it is, so to speak, out of play.

Once the Treasury starts spending again, more of this money should come back into the system and bring down short rates. That could in turn give the bond market a boost. The prime rate might even come down half a point from 16½ per cent. A regional bank in North Carolina took that step last week. But big city bankers say they feel uneasy about cutting the prime until they are sure they will not have to reverse themselves with embarrassing haste. Demand for short-term credit also continues strong.

But in looking for a major market rally, time is also becoming a factor. The popular view is that while interest rates could decline in the weeks ahead, the market will suffer the full onslaught of Treasury borrowing in the latter half of the year. So the question is whether the rally will be able to make much ground before the storm bursts.

This week the market's eyes will be fixed on the Fed which is holding one of its periodic credit policy meetings to set money supply targets. Last week's small rise in M1 means it is still running above the current target of between 2½ per cent and 5½ per cent growth a year, but only by a small margin. Wall Street expects the Fed to leave its basic policy unchanged, especially with the budget problem still unresolved.

Ford Motor Credit sold $250m of one-year extendable notes. Investors have the option of cashing the notes in or renewing them every year for three years. The opening yield is 16.75 per cent; if and when the notes are renewed they will carry a similar spread over one-year Treasuries. The notes allow the investor a certain flexibility which adds to their appeal and shaves a bit off Ford's borrowing costs which are higher now that its credit rating has slipped to B.

General Motors Acceptance Corporation also made the trip from Detroit to sell $100m of original issue discount five-year notes. GMAC is still A grade and it paid 14.67 per cent for its money. But it has already warned that it will need to borrow heavily this year.

Other borrowers included Allied Stores, Pennzoil, ITT Financial, and Republic New York.

This week's tentative calendar looks moderate, including a Citicorp $150m, five-year, note issue and Getty Oil's $300m of 10-year notes.

The Treasury is due to sell $5.5bn of two-year notes on Wednesday. Its regular weekly auction of bills tonight has also been raised from $9.4bn to $9.8bn, suggesting that the days of the regular $10bn auction cannot be far off.

David Lascelles

Dome Petroleum suffers deficit in first quarter

BY ROBERT GIBBENS IN MONTREAL

DOME PETROLEUM, the Canadian oil company at the forefront of the Federal Government's plans to "Canadianise" the nation's energy assets, has reported a first quarter loss of C$25.7m (US$21.7m).

The loss was not entirely unexpected in view of changes in the company's structure and the high cost of servicing Dome's debts which total more than C$8bn.

The company attributed the loss mainly to financial factors following its C$4bn takeover last year of Hudson's Bay Oil and Gas, plus higher petroleum production taxes and financing costs.

Dome's first quarter revenues were C$752m and cash flow after preferred dividends was C$97.7m.

A year earlier Dome reported net profits of C$54.1m or 24 cents a share on revenues of C$360m. But the results are not comparable, mainly because of the inclusion of HBOG and Davie Shipbuilding which Dome also acquired after the first quarter last year.

Dome says that depreciation and depletion charges in the latest quarter were substantially higher because of HBOG. But the group suffered from lower oil output and a sharp drop in margins for natural gas liquids.

Dome is a major producer of gas liquids.

Dome while not adding to this explanation, has made commitments to reduce its debt by year-end to around C$2.4bn, and oil industry reports persist that HBOG may sell off all or part of its production assets in Indonesia.

Weston warns on profits

BY OUR MONTREAL CORRESPONDENT

THE GEORGE WESTON food and resource group, which controls the Loblaw retail food chains in Canada and the U.S., has a serious problem in its east and west coast fishing and fish products affiliates, Mr Galen Weston, president, said.

It operates large trawlers and fishing processing plants which "now little hope of providing an adequate return in the foreseeable future on the C$250m invested."

More vessels will be sold and processing plants shutdown. Weston expects to hold its group sales this year at about the same level as last year's C$7.4bn, but profits will be under pressure in the second quarter and possibly in the second half unless the economy improves. It reported net profits down 10 per cent to C$12.3m for the first quarter of 1982-83.

$23m loss at Playboy in third quarter

By Richard Lambert in New York

PLAYBOY ENTERPRISES, the U.S. publishing and entertainment group, has reported a loss of $22.6m for the three months ended March, compared with a net profit of $2.7m a year earlier. Revenues fell from $62m to $53m.

The company said that two-thirds of the loss stemmed from the write off of pre-operating expenses and other costs related to the development of a hotel-casino in Atlantic City, New Jersey.

The latest figures take the company's losses for the first nine months of fiscal 1982 to $30.3m (against $10.9m of profits last year) including $3.4m from discontinued operations. Revenues fell from $180.9m to $172.5m in the period.

Carrian assets top HK$5bn

BY ROBERT COTTRELL IN HONG KONG

THE DRAMATIC growth of Carrian Investments, the Hong Kong group which is rapidly diversifying from its property base, is underscored by figures published for the first time in its latest annual report.

Total assets stood at HK$5.5bn (US$950m) at the end of 1981, against only HK$1.19bn a year earlier. Shareholders' funds rose in the same period to HK$2.45bn from HK$866m while deferred liabilities—debt's payable in more than one year's time increased to HK$2.14bn from HK$37.3m.

The big impact on Carrian's balance sheets comes from shipping. In 1981 the company bought Ossis Maritime and Imperial Maritime, which were in turn merged into Grand Marine via a series of deals which left Carrian ultimately holding 60 per cent of Grand Marine. GM currently has a 1.7m ton fleet comprising 67 ships, of which 15 are under construction.

The group's statement of fixed assets shows a net book value for motor vessels of HK$ 2.1bn at year-end, compared with HK$ 62m at the end of 1980, while HK$ 1.56bn of the deferred liabilities relate to Grand Marine.

Share capital also expanded markedly during the year, with nominal capital rising from HK$ 353.2m to HK$ 712.95m. The share premium account leapt from HK$ 106.8m to HK$ 1bn.

Carrian Investment's 1981 net profits, as previously reported, were HK$826m, against the HK$461.8m reported for the nine months to December, 1980.

Mr George Tan, in his first statement as chairman of Carrian Investments, says the group has been transformed from a Hong Kong property company into "an internationally oriented group with a diversified portfolio of investments."

INTERNATIONAL APPOINTMENTS

Finance chief for American Express Intl. Banking

● AMERICAN EXPRESS INTERNATIONAL BANKING CORP, New York, has appointed **Mr Robert T. Budenbender** *executive vice-president* and chief financial officer. He will assume responsibility for the controllership function, budgeting and financial analysis, taxation, auditing and management information systems for the wholly owned subsidiary of American Express Company. He comes to AEIBC from Morgan Guaranty Trust Company of New York where he has been a vice-president and deputy controller *with full financial responsibility* for all policies and procedures covering Morgan's international business.

● MONTGOMERY WARD AND COMPANY Chicago has appointed **Mr David Snell** to the newly-created position of vice-president of advertising and sales promotion, and **Mr William J. McCarthy** to vice-president of the eastern region. In his new position, Mr Snell assumes the responsibilities of Mr McCarthy in his former position of vice-president of retail merchandise.

● MORGAN GUARANTY TRUST COMPANY has appointed **Mr K. Peter von Elten**, vice-president, as vice-president and assistant general manager of the bank's German offices from June 1, responsible for corporate banking, funding services, personnel and financial analysis.

● **Mr Graham H. Breakwell** has been promoted to vice-president and transferred from London to *the Los Angeles* headquarters of SECURITY PACIFIC CORP. He becomes an officer in the treasury department.

● **Mr Gerald G. Probst** has been elected chairman of SPERRY CORP New York. He will continue as chief executive officer and will assume his additional responsibility on June 1. This coincides with the retirement on June 1 of **Mr J. Paul Lyet**, Sperry's chairman since 1972.

● **Mr Donald M. Birney** and **Mr Thomas J. Tucker** have been appointed assistant vice-presidents of the AMERICAN BUREAU OF SHIPPING.

● CORROON AND BLACK CORP, New York, an international insurance brokerage firm, has elected **Mr William P. Baccala** and **Mr Joseph V. Ambrose, Jr** as senior vice-presidents.

● **Mr Robert S. November** has joined INTERNATIONAL TELEPHONE AND TELEGRAPH CORP, New York, as director of business development for its communications and information services group. He joins ITT after 22 years with The New York Times Company.

● **Mr Geoffrey A. Thompson** has been named senior vice-president—strategic investments of MARINE MIDLAND BANKS, INC. He continues as senior vice-president of Marine Midland Bank, N.A., heading the planning and corporate development division.

● **Mr Joseph V. Vittoria** has rejoined the AVIS RENT A CAR SYSTEM, INC. as executive vice-president for sales and marketing. On leaving Avis in 1977 Mr Vittoria joined Hertz *international operations, and later* became president.

● **Mr C. G. N. Ryder** has become president of JOHN SWIRE AND SONS (JAPAN). He was formerly deputy chairman of The China Navigation Company (CNCo). New deputy chairman of CNCo is **Mr D. A. Gledhill**, shipping director of the Swire Group in Hong Kong.

● **Mr John Gale** has been appointed senior executive vice-president, chief administrative officer and director of NATIONAL WESTMINSTER BANK'S wholly-owned subsidiary National Bank of North America, in New York. He was area director of NatWest's Romford area office.

● **Mr H. Eugene Larson**, a vice-president, has been appointed president of ALLEN AND GARCIA CO, Chicago (a Simon Engineering company), from July 1. He succeeds **Mr Paul Levin**, who is to retire on June 30. Mr Levin will continue in a consultative capacity.

● RENISON GOLDFIELDS CONSOLIDATED, Sydney, has appointed **Mr W. P. Murphy** as executive director—marketing.

● **Mr Niels R. Madsen** has joined the GULF GROUP. He recently resigned as president and chief executive of Anglo Nordic Shipping and Associated Bulk Carriers.

● **Mr Richard M. Clarke** has been elected a corporate vice-president and appointed president of CELANESE specialty operations, New York, a new unit directing the company's specialty chemicals and plastics businesses. He has been president and chief executive officer of Celanese Canada Inc since 1978 where he will be replaced by **Dr Ernest H. Drew**.

● **Mr Will M. Storey**, executive vice-president and chief financial officer of BOISE CASCADE CORP, has resigned to become vice-chairman, chief financial officer and a director of FEDERATED DEPARTMENT STORES INC. His responsibilities at BCC will be shared by **Mr Rex L. Dorman**, who becomes vice-president of finance, **Mr George J. Harad**, who was elected controller and **Mr Clifford A. Morton**, who continues as vice-president, planning and development.

● **Mr Granville W. Holman, Jr** has been elected executive vice president of KAISER ENGINEERS INC, Oakland, California. Since 1980, he has been Kaiser Engineers' group vice-president, Australia/Asia, and managing director of its subsidiary, Raymond Engineers Australia Pty, based in Sydney. He has been replaced in Australia by **Mr Herbert A. Thomas, Jr**, previously Kaiser Engineers' group vice president, advanced technology and transportation.

● KIDDE, INC., New Jersey, has elected **Mr Richard F. Barnitt** a senior vice-president and **Mr Vincent S. DeLorenzo** an assistant controller of the corporation. Mr Barnitt had been vice-president and controller of Kidde. Mr DeLorenzo was director of accounting for Kidde.

● **Mr Peter H. Wieschenberg** has joined the corporate staff of COLT INDUSTRIES INC, New York, as director of risk management. He was director of risk management and safety for Raymonier Inc., a division of ITT.

● GOULD INC., Chicago, has elected **Mr Glenn E. Penisten** to the board for a three-year term. He is a vice-president of Gould and *the chairman and chief* executive officer of the company's newly acquired semiconductor subsidiary, American Microsystems, Inc.

● **Mr Tom M. Hamilton** has joined AMINOIL USA, Inc, Houston, as vice president, domestic exploration. He succeeds **Mr T. W. Ehring**, who moves to the newly-created position of vice president, Eastern region. Mr Hamilton was manager, frontier evaluation for Pennzoil Exploration and Production Company.

● AMERICAN GENERAL CORP Houston, has promoted **Mr Andrew Delaney** to vice chairman of the board. He will continue as the company's chief investment officer.

● **Mr Klaus Wemmie**, hitherto finance manager of Joh. Jacobs and Company, Bremen, has been given responsibility for group finances of the Swiss-based parent company JACOBS AG, a leading European coffee concern. **Mr Robert Laporte** moves from *the Belgian subsidiary Les Cafee* Chat Noir to succeed **Mr Donald K. Stelling** as production manager of Jacobs AG, while **Dr Hubert Koehler** becomes head of group research.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97	150	101⅞	102⅛	0	−0¼	14.23
Amax Int. Fin. 16¼ 92	75	103⅛	104⅛	0	0	15.41
Amer. O/S Fin. 14½ 89	75	97⅝	98⅛	0	−0¼	14.74
APS Fin Co. 16½ 89	75	103½	104⅛	+0⅛	−0⅛	15.23
Armco O/S Fin. 15½ 86	50	†100⅜	100⅞	0	−0⅛	15.09
ATT 14¼ 89	400	101⅛	102⅛	0	−0⅛	13.78
Baker Int. Fin. 0.0 92	225	†27½	28	−0½	−1¼	14.00
Bk. Amer. NT SA 12 87	200	92⅛	92⅞	0	+0⅛	14.16
Burroughs Int. 15⅞ 88	50	104⅞	105⅛	0	0	14.36
Canadair 15½ 87	150	102	102½	+0⅛	0	14.77
Can. Nat. Rail 14⅝ 91	*100*	*99⅞*	*100⅜*	*0*	*−0⅞*	*14.55*
Carolina Power 16½ 89	60	104⅞	104⅞	−0⅛	−1	15.30
CIBC 16 87	100	103⅛	103⅞	−0⅛	−0⅛	14.89
Citicorp O/S 15 84/92	100	100⅜	101⅛	+0⅛	0	14.40
Citicorp O/S 15½ 85/97	125	101⅛	102	+0⅛	−0⅛	14.62
CNA 15½ 97	75	100⅞	101⅞	−0⅛	−0⅛	15.85
Con. Illinois 15⅝ 89	100	103	103½	+0⅛	−0⅛	14.91
Duke Pwr. O/S 15½ 89	60	101⅞	102⅛	0	−0⅛	15.00
Dupont O/S 14½ 88	400	100⅛	101	0	−0⅞	14.28
Dupont O/S Cap. 0.0 90	300	37⅞	38⅛	+0⅛	−0⅛	13.26
ECSC 14⅞ 87	50	99⅛	99⅞	0	−1	14.83
EIB 13½ 89	150	101⅛	101⅞	0	−0⅛	15.07
Eksportfinans 14½ 89	50	98⅛	98⅞	0	−0½	14.82
Gen. Elec. Credit 0.0 92	400	30⅛	31⅛	+0⅛	−0⅛	12.75
Gen. Elec. Credit 0.0 93	400	27	27½	−0⅛	−1⅛	12.85
Getty Oil Int. 14 89	125	98⅞	99⅛	+0⅛	−0⅛	14.23
GMAC O/S Fin. 16 88	150	102⅛	103	0	−0½	15.19
GMAC O/S 15½ 85/97	100	99⅞	99⅞	0	0	15.43
Gulf Canada Ltd 14⅞ 92	100	99⅞	100⅛	0	−0⅛	14.70
Gulf Oil 14⅛ 94	175	98⅞	99⅛	0	−0⅛	14.39
Gulf Oil Fin. 0.0 92	300	28⅛	28⅞	−0⅛	−1	13.61
Gulf States O/S 16 90	*60*	*101*	*101½*	*0*	*+0½*	*15.69*
Int.-Am. Dv. Bk. 15½ 87	65	99⅞	100⅛	−0⅞	−0⅛	15.02
Japan Airlines 15⅞ 88	50	101½	102	−0⅛	−0⅛	14.75
Japan Dev. Bk. 15½ 87	50	103⅛	103⅞	0	+0⅛	14.34
Nat. West. 14⅜ 91	100	101⅛	101⅛	+0⅛	−0⅛	14.40
New Brunswick 16⅜ 89	*75*	*105⅛*	*106⅛*	*0*	*+0⅛*	*14.78*
OKG 15⅞ 85/97	50	98½	99	0	−0⅛	16.13
Ontario Hyd. 16 91 (N)	200	106	106½	+0⅛	−0⅛	14.68
Pac. Gas & El. 15⅞ 89	80	103½	104	0	−0⅛	14.77
Pac. Gas & El. 15½ 89	45	103⅛	103⅞	0	−0⅛	14.60
J. C. Penney GI 0.0 94	350	23⅛	23⅞	0	−0⅛	13.06
Philips Petrol 14 89	200	97⅛	97⅞	−0⅛	−0⅛	14.59
Quebec Prov. 15⅞ 89	150	100⅞	101⅞	0	−0⅛	14.93
R.J. Rynlds. O/S 0.0 92	400	†28⅛	28⅞	0	−0⅛	13.72
Saskatchewan 16 89	125	104⅛	104⅞	−0⅛	−0⅛	14.90
Spain 15⅞ 87	100	99⅞	99⅞	+0⅛	−0⅛	15.83
Statsforetan 15⅞ 87	50	100⅛	100⅞	0	−0⅛	15.51
Sweden 14½ 88	150	96½	97	0	+0⅛	15.25
Sw. Ex. Cr. 16⅛ 84/92	75	102⅞	103⅛	−0⅛	−0⅛	14.84
Swed. Ex. Cred 15⅛ 89	100	100	100½	−0⅛	−0⅛	15.15
Swed. Ex. Cred. 0.0 94	200	21⅞	22⅛	0	0	13.61
Transcanada 16 89	*100*	*101⅞*	*102⅛*	*−0⅛*	*−0⅛*	*15.47*
Wells Fargo I F 15 87	75	101⅛	101⅞	+0⅛	−0⅛	14.47
WMC Fin. 15½ 88	50	98⅞	99⅛	0	−0⅛	15.68
World Bank 15⅛ 88	250	102⅛	102⅞	+0⅛	+0⅛	14.57

Average price changes... On day 0 on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 9⅞ 92	150	99⅞	100⅛	−0⅛	−0⅛	9.27
Australia 9⅞ 91	300	104⅛	104⅞	−0⅛	−0½	8.67
Australia 9⅛ 91	200	104⅛	105	+0⅛	−0⅛	8.59
Comp. Tel. Esp. 10⅛ 92	*100*	*101⅞*	*101⅞*	*−0⅛*	*−0⅛*	*10.24*
Denmark 10 89	100	103⅛	102⅞	−0⅛	−1⅛	9.38
Denmark 10⅛ 92	100	102⅛	103⅛	−0⅛	−1	9.63
EDF 9⅞ 92	100	101⅞	102⅛	0	−0⅛	9.52
EEC 10⅛ 93	100	104⅛	104⅞	−0⅛	−0⅛	9.45
EEC 9⅞ 94	200	103	103⅛	−0⅛	−0⅛	9.27
EIB 9⅞ 88	50	102⅛	103⅛	0	−0⅛	9.15
Ireland 10⅛ 86	100	101⅞	102⅛	0	−0⅛	9.47
Mexico 11 88	100	101⅛	102⅛	+0⅛	−1⅛	10.56
Nacnl. Financiera 11 90	150	99⅞	100⅛	−0⅛	−0⅛	10.96
Nat. West. 9⅞ 92	100	105	105⅛	0	−0⅛	9.00
New Zealand 9⅞ 89	200	104⅞	105⅛	+0⅛	−0⅛	8.94
OKB 9⅞ 90	150	102⅞	103⅛	0	−0⅛	9.13
Quebec 10⅛ 92	150	104⅞	105⅛	−0⅛	−0⅛	9.27
Quebec Hydro 10⅛ 91	150	103⅞	105⅛	−0⅛	−1⅛	9.41
Renfe 10 92	100	99⅞	100⅛	−0⅛	−0⅛	10.00
Tauernautobahn 9⅞ 94	*50*	*103⅛*	*103⅞*	*−0⅛*	*−0⅛*	*9.38*
Venezuela 11⅛ 91	100	100⅛	101⅛	−0⅛	−0⅛	11.34
World Bank 9⅛ 89	100	102⅛	103⅛	+0⅛	0	8.91
World Bank 10 91	250	105⅛	105⅞	0	−0⅛	9.10

Average price changes... On day −0⅛ on week −0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Ansett Transport 7⅛ 92	50	104	104⅛	+0⅛	+0⅛	6.90
Australia 7⅞ 92	80	99⅛	99⅞	+0⅛	+0⅛	7.86
Australia 6⅞ 94	100	104⅛	104⅞	0	+0⅛	5.99
Cse Nat l'Energie 7 92	100	102	102⅛	+0⅛	+1	6.70
CFE-Mexico 8⅛ 92	50	99⅞	100	+1⅛	+0⅛	8.27
Copen. Denmark 8⅛ 92	25	105	106⅛	+0⅛	0	7.47
Crown Zellrbch. 6⅞ 92	100	103	103⅛	+0⅛	+0⅛	6.31
Denmark 7⅛ 91	100	102⅛	103⅛	+0⅛	+1⅛	6.81
EIB 7⅛ 92	100	102⅛	102⅞	−0⅛	0	6.86
Elet. de France 7 92	100	102⅛	103	+0⅛	+0⅛	6.58
ENEL 8 92	44	101⅛	101⅛	+0⅛	+0⅛	7.77
First City Fin. 8⅛ 92	25	104⅛	105⅛	+0⅛	+0⅛	7.51
Kommunlans 7⅛ 92	35	102	102⅛	+0⅛	+1⅛	6.95
Manitoba 7 92	100	106	106½	+0⅛	−0⅛	6.13
Mitsui OSK 6½ 92	100	101⅛	101⅞	+0⅛	+1⅛	6.26
National Pwr. Co. 8 92	30	103⅛	103⅞	−0⅛	0	7.44
Nippon T. and T. 6⅞ 92	100	103⅛	104	+0⅛	+0⅛	6.08
OKB 8⅛ 92	100	104⅛	104⅞	0	0	7.06
Ost. Donaukraft 7 92	100	103	103⅛	−0⅛	−0⅛	6.55
Ost. Fostspar 7⅛ 92	100	103⅛	104	+0⅛	+0⅛	6.94
Philip Morris 6⅞ 92	100	103	103⅛	−0⅛	−0⅛	6.19
Quebec 7⅛ 92	100	105⅞	106⅛	+0⅛	+1⅛	6.52
Sekisui Pre 5⅞ 92 WW	70	106⅛	106⅛	+0⅛	+1	4.88
Soc. Lux. de Cnt. 8⅛ 92	80	105⅞	105⅞	+0⅛	−0⅛	7.21
Transcanada Pipe. 7 94	100	103⅛	103⅞	+0⅛	−0⅛	6.54
Vorarlberg Kraft 6⅞ 92	50	103⅛	103⅞	+0⅛	+0⅛	6.28

Average price changes... On day +0⅛ on week +0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8⅛ 91	15	100⅞	101⅞	0	+0⅛	8.04
Int.-Amer. Dev. 8⅞ 91	15	102⅛	103⅛	0	+0⅛	8.43
Japan Airlines 7⅞ 87	9	97⅛	98⅛	0	0	8.39
New Zealand 8⅛ 87	15	101⅛	102⅛	0	+0⅛	7.97
World Bank 8⅛ 92	20	100⅛	101⅛	0	0	8.25

Average price changes... On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Can. Pac. S. 16⅛ 89 CS	50	†99½	100	0	+0⅛	16.42
Crd. Foncier 17⅛ 89 CS	30	†100	100½	0	+1	17.05
Hudson Bay 17 89 CS	40	†100	100½	0	−0⅛	16.92
Montreal 17 89 CS	50	†102	102½	0	0	16.33
Queb. Hydro 16½ 89 CS	50	†99⅞	100⅛	0	0	16.46
Quebec Prov. 17 88 CS	50	†102½	103	0	+0⅛	16.19
Simpsons 16⅞ 89 CS	40	†97⅛	97⅞	0	+0⅛	17.38
U. Bk. Nwy. 9½ 90 EUA	18	89⅞	90½	0	−0⅛	11.52
Algemene Bk. 10⅛ 86 Fl	60	102⅛	102⅞	+0⅛	+0⅛	9.45
Amfas Group 12⅛ 85 Fl	40	106⅛	106⅞	+0⅛	+0⅛	10.33
Amro Bank 12 86 Fl	60	106⅛	106⅞	0	0	10.04
Phil. Lamps 10⅛ 87 Fl	100	101⅛	101⅞	+0⅛	+0⅛	9.31
Pierson 10⅛ 86 Fl	50	100⅛	100⅞	0	−0⅛	10.02
Rabobank 12 86 Fl	50	106⅛	107	−0⅛	+0⅛	9.90
OKB 14 86 FFr	400	92⅛	[illegible]	[illegible]	+1	16.73
Solvay et C. 14⅛ 86 FFr	200	[illegible]	[illegible]	0	[illegible]	17.48
Acona 14 85 £	*20*	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial 14½ 90 £ (D)	20	[illegible]	[illegible]	0	[illegible]	[illegible]
BNP 13½ 91 £	15	[illegible]	[illegible]	0	[illegible]	[illegible]
CECA 13½ 88 £	20	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Ex. Cred. 13⅞ 86 £	15	[illegible]	[illegible]	0	[illegible]	[illegible]
Gen. Elec. Co. 12½ 89 £	50	92⅛	[illegible]	−0⅛	[illegible]	[illegible]
Hiram Walker 14⅛ 86 £	25	97⅛	[illegible]	0	[illegible]	[illegible]
Privatbanken 14½ 88 £	12	94⅛	95⅛	+0⅛	+0⅛	15.98
Quebec 15½ 87 £	35	101⅞	102⅞	−1⅛	+1	14.75
Reed (Nd) NV 16⅞ 89 £	25	102⅞	103⅞	0	+1⅛	15.85
Royal Trustco 14 86 £	12	97⅛	98⅛	+0⅛	+0⅛	14.62
SDR France 15½ 92 £	30	99⅛	100⅛	0	+1⅛	15.48
Swed. Ex. Cr. 13⅞ 86 £	20	97⅞	98⅛	0	+0⅛	14.37
Eurofima 10½ 87 LuxFr	500	96	97	−0⅛	−0⅛	11.76
EIB 9⅞ 88 LuxFr	600	94⅛	95½	+0⅛	+0⅛	11.04

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish 5¼ 92	0¼	98½	99	15/10	15.69	15.89
Bank of Montreal 5¼ 91	0¼	99½	99⅞	29/10	15⅛	15.22
Bk. of Tokyo 5¼ 91 (D)	*0⅛*	*99⅛*	*99⅞*	*10/6*	*13⅞*	*13.40*
Bk. Nova Scotia 5¼ 93	0⅛	99⅛	99⅞	29/10	15⅛	15.29
BFCE 5¼ 88	0¼	99⅛	99⅞	28/10	15	15.08
BFCE 5¼ 87	0⅛	99⅛	100	27/7	16⅛	16.23
Caisse Nat. Tele. 5¼ 90	0¼	99⅛	99⅞	21/1	15⅛	15.31
CCCE 5⅛ 2002	0⅛	98⅛	98⅞	11/6	14.82	15.02
Co-Ban Eurofin 5½ 91	0⅛	99	99½	14/10	16	16.12
Credit Agricole 5¼ 97	0⅛	99⅛	99⅞	24/9	15.44	15.53
Credit Lyonnais 5¼ 97	0¼	99⅛	99⅞	1/10	16	16.06
Credit Nat. 5⅛ 94	†0⅛	98½	99	9/6	14.69	14.87
Denmark, Kngdm. of 92	0⅛	†99⅛	99⅞	25/8	15.44	15.55
Den Norske Cred. 5½ 93	*0¼*	*97⅞*	*98⅛*	*4/6*	*13.66*	*13.92*
Genfinance 5½ 92	0¼	99⅞	100⅛	30/6	15⅛	15.52
Ind. Bank Japan 5¼ 88	0⅛	98⅞	99½	12/11	14½	14.65
Lloyds Eurofin 5⅛ 93	§0⅛	99	99⅛	29/4	17.12	17.26
LTCB Japan 5¼ 89	0⅛	99⅛	99⅞	18/7	15.21	15.39
J. P. Morgan 5¼ 97	§0⅛	99	99⅛	22/9	14⅞	14.74
Nat. West. Fin. 5¼ 91	§0⅛	99⅛	99⅞	15/7	15.19	15.26
New Zealand 5⅛ 87	0⅛	99⅛	99⅞	7/10	15.51	15.62
Nippon Credit 5¼ 90	0¼	99⅛	99⅞	10/9	16.05	16.14
Nordic Int. Fin. 5⅛ 91	0⅛	99⅛	99⅞	6/11	15⅛	15.00
Offshore Mining 5⅛ 91	0⅛	99⅛	99⅞	2/6	13	13.15
PKbanken 5 91	0⅛	99	99½	17/6	14½	14.48
Scotland Int. 5¼ 92	0⅛	98⅛	99⅛	23/9	15⅛	15.53
Sec. Pacific 5⅛ 91	0⅛	99	99½	24/5	13⅞	13.95
Societe Generale 5¼ 95	0¼	99⅛	99⅞	1/9	15.31	15.41
Standard Chart. 5¼ 91	0⅛	99⅛	99⅞	19/5	13.31	13.46
Sumitomo Fin. 5½ 88	*0⅛*	*99½*	*100*	*9/8*	*16*	*16.04*
Sweden 5⅛ 89	0¼	99⅛	99⅞	26/3	15.31	15.43
Toronto Domin'n 5¼ 92	0¼	99⅛	99⅞	11/8	16⅛	16.44

Average price changes... On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	90½	92	−0½	5.41
Bow Valley Inv. 8 95	4/81	23.12	97	99	+0⅛	48.53
Bridgestone Tire 5½ 96	*3/82*	*470*	*90½*	*92*	*−1½*	*−1.68*
Canon 6¾ 95	1/81	929	106½	103½	−1¼	9.00
Daiwa Secs. 5½ 96	12/81	513.3	†66	68	−1	−2.80
Fujitsu Fanuc 4½ 96	10/81	5641	95½	97½	+1½	8.33
Furukawa Elec. 5⅛ 96	7/81	300	100	101½	+1	−5.18
Hanson O/S Fin. 9½ 96	*8/81*	*1.36*	*†89*	*90*	*0*	*−8.88*
Hitachi Cable 5¼ 96	2/82	515	94⅛	96	+2	2.86
Hitachi Cred. Cpn. 5 95	7/81	1612	35¼	37⅛	+0⅛	4.74
Honda Motor 5½ 97	3/82	841	90	91½	−1⅛	−2.17
Inchcape 8 95	2/81	4.55	†59	61	−1	15.81
Kawasaki 5⅛ 96	9/81	229	72½	74	−0⅛	2.6[illegible]
Marui 6 96	7/81	848.4	106½	108	0	5.02
Minolta Camera 5 96	10/81	826.4	65½	67	−0¼	9.62
Minorco 9⅛ 97	5/82	8.16	†86	87½	0	12.04
Murata 5⅛ 96	7/81	2168	67½	68⅛	+2⅛	27.26
NKK 6½ 96	7/81	183	84½	86	−0⅞	−12.78
Nippon Chem-C 5 81	10/81	919	68	70	0	9.49
Nippon Electric 5¼ 97	2/82	845	99½	101½	−0⅛	8.30
Orient Finance 5⅛ 97	3/82	1205	95⅛	97⅛	−0½	1.77
Sanyo Electric 5 96	10/81	652	74½	76	−0⅛	3.59
Sumitomo Elec. 5½ 97	3/82	577.3	91½	92⅛	−1⅛	−1.39
Sumitomo Met. 5¼ 96	10/81	295.1	70½	72¼	−0⅛	18.32
Swiss Bk. Cpn. 6¼ 90	9/80	191	77⅛	79⅛	0	23.38
Konishiroku 6 90 DM	2/82	585	106¼	107	0	3.17
Mitsubishi H. 6 89 DM	2/82	263	94½	95⅛	0	12.86

EUROBOND TURNOVER
(nominal value in $m)

	Cedel	Euro-clear
Last week	4,284.0	11,685.3
Previous week	5,911.4	8,387.6
U.S. $ bonds		
Other bonds		
Last week	927.4	638.3
Previous week	789.6	605.5

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Credit Commercial de France (Securities) London; Citicorp International Bank; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on May 14

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Denny (Henry), Battlebridge House, Tooley Street, SE, 12.00
Fisher (James), Lisdoonie Hotel, Abbey Road, Barrow-in-Furness, 12.00
Lambert Howarth, Crest Hotel, Burnley, 12.00

BOARD MEETINGS—
Finals:
Bishopsgate Tst
Bulgin (A. F.)
Fortnum and Mason
Land Secs Inv Tst
Selincourt
Weeks Assocs
Whitbread
Interims:
Aust and NZ Bkg
BOC
Brown (Matthew)
Western Selection and Dev

DIVIDEND & INTEREST PAYMENTS—
Aberdeen 3pcRd 1965-85 1½pc
American Tst 1.55p
Banco Nacional De Mexico SA FltgRteCap Nts 1987 $72.67
Beazer (C. H.) 2.7p
British Empire Secs and Gen Tst 0.2p
Butlins Irish and Continental Holidays 5½pcPf Ir£1.925p
Comml Union Assurance 6.95
Conder Intnl 2.5p
Courtney Pope 1.2p
Estates and Gen Invs 1.15p
Futura Hldgs 1.694p
Jacob (W. R.) Ir£0.3p
Kleinwort Benson Finance GtdFltgRtNts 1991 $207.81
London and Manchester 1.98p
Lucas Inds 2.6p
Memec (Memory and Elec Components) 2p
Metal Closures 3.5p
Mills and Allen Intnl 6p
Ransomes Sims and Jefferies 8p
Sharna Ware 2.0691p
Silkolene Lubricants 4.85p
Sperry Cpn 48cts
TR Ind and Gen Tst 1¼pc
Treasury 9pc 1994 4½pc
Warner Communications 25cts

TOMORROW

COMPANY MEETINGS—
Anchor Chem, Piccadilly Hotel, Manchester, 11.30
Bk of Scotland, The Mound, Edinburgh, 12.15
British Aerospace, The Royal Aeronautical Society, 4, Hamilton Place, W, 12.00
Dewhurst Dent, Heaton Mills, Heaton Park Road, Manchester, 12.00
Gordon (Luis), Caxton Hall, Caxton Street, SW, 12.00
Huntley and Palmer, Grosvenor House Hotel, Park Lane, W, 12.15
Kleinwort Benson Lonsdale, 20, Fenchurch Street, EC, 11.45
Macfarlane, The Merchants House, 7, West George Street, Glasgow, 12.00
Metalrax, Plough and Harrow Hotel, Hagley Road, Edgbaston, Birmingham, 11.45

BOARD MEETINGS—
Finals:
Alpine Hldgs
Anglo American Coal
British Borneo Pet Synd
Duport
Heath (C. E.)
Hinton (Amos)
London and Lennox Inv Tst
Runciman (Walter)
Warrington (Thomas)
Interims:
French (Thomas)
Nrthrn American Tst
Nrthrn Ind Improvements Tst
Yorks and Lancs Inv Tst

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Cpn VarBds (12-11-82) £7.7625
Banco Pinto and Sotto Mayor FltgRtNts 1985 8¼pc
Charterhouse Pet 0.5p
Co-operative Bk FltgRtCapNts 1986 $67.88
Glen Abbey Ir£2.5p
Lambert Howarth 3.6p
Leumi Intnl Inv NV GtdFltgRtNts 1985 $67.56
Manson Fin Tst 1.5p
Midland Bk FltgRtsCapNts 1982 6²³⁄₃₂pc
Osterreichische Kontroll-bank AG GtdFltg RtNts 1986 $336.23
Sirdar 1.6p
Standard Chartered Fin BV GtdFltgRtNts 1991 $669.32

WEDNESDAY MAY 19

COMPANY MEETINGS—
BSR, Savoy Hotel, The Strand, WC, 11.00
BTR, Barbican Centre, Barbican, EC, 12.00
Bridon, Chartered Accountants Hall, Moorgate Place, EC, 12.00
Bund, Whitbread Brewery, Nr Barbican Centre, EC, 11.00
Cape Inds, Hyde Park Hotel, Knightsbridge, SW, 12.00
Christies Intnl, 8, King Street, St James's, SW, 3.00
Equity and Law Life Assurance, 20, Lincolns Inn Fields, WC, 12.15
Expanded Metal, Institute of Directors, 116, Pall Mall, SW, 12.00
Firmin and Sons, Globe Works, New Town Row, Birmingham, 12.15
Gibbs and Dandy, Commerce House, Stuart Street, Luton, 11.30
Jones and Shipman, Narborough Road South, Leicester, 2.15
Lane (Percy), The Excelsior Hotel, Birmingham Airport, 12.00
Legal and General, Temple Court, 11, Queen Victoria Street, EC, 2.30
London Brick, Connaught Rooms, Great Queen Street, WC, 12.00
Lyle Shipping, Trades House, Glassford Street, Glasgow, 12.00
Rotork, Rotork House, Brassmill Lane, Bath, 3.00
Shell Transport and Trdg, Shell Centre, SE, 11.30
Slough Ests, Savoy Hotel, The Strand, WC, 2.30
Spirax Sarco, Queens Hotel, Cheltenham, 12.45
Unilever, Baltic Exchange, St Mary Axe, EC, 11.00
U.S. Deb Cpn, Austral House, Basinghall Avenue, EC, 12.00

BOARD MEETINGS—
Finals:
Advance Secs
Ambrose Inv Tst
Chamberlin and Hill
El Oro Mng and Explrn
Exploration Co
Feedback
London Atlantic Inv Tst
London and Northern
London Tst
Whitbread Invs
Interims:
Comma Bros
Dubilier
Irish Distillers
Moran Tea
Pentland Inv Tst
Redfearn Natl Glass
Redman Heenan Intnl

DIVIDEND & INTEREST PAYMENTS—
APV Hldgs 6.8p
Anglo-African Fin 1.125p
Cement-Roadstone Ir£3.56p
Drayton Comml Inv 3p
Firmin and Sons 3p
Gibbs and Dandy 1.4p
Macfarlane Grp (Clansman) 2.3p
Merrill Lynch 32cts
Newman-Tonks 1.65p
Sandvik Aktiebolag B SKr 10
Treasury 10½pc 1999 5¼pc. Do 3pc 1985 1½pc. Do 3pc 1986 1½pc
Waring and Gillow 1.5p

THURSDAY MAY 20

COMPANY MEETINGS—
AC Cars, Sumner Road, Thames Ditton, Surrey, 4.00
Aurora, Cutlers Hall, Sheffield, 12.30
BICC, Methven Room, Centre Point, 103, New Oxford Street, W, 12.00
Baird (William), Central Hotel, Gordon Street, Glasgow, 12.00
Bemrose Cpn, Great Eastern Hotel, Liverpool Street, EC, 11.45
Bifurcated Engineering, Mandeville Road, Aylesbury, 12.00
Bramall (C. D.), The Norfolk Hotel, Hallings, Bradford, 12.00
Cadbury Schweppes, Europa Hotel, Duke Street, Grosvenor Square, W, 12.00
Delta Grp, Waldorf Hotel, Aldwych, WC, 12.00
Greenbank Ind, Saxon Inn Motor Hotel, Yew Tree Drive, Blackburn, Lancashire, 3.15
Harrison Cowley, 32, Queen Square, Bristol, 12.00
Hill (Charles) of Bristol, Winchester House, 100, Old Broad Street, EC, 11.00
Jeavons Eng, Midland Hotel, New Street, Birmingham, 12.00
Jerome (S.), Post House, Bramhope, 12.30
Johnson Grp Cleaners, The Barber-Surgeons Hall, Monkwell Square, EC, 12.00
Morrison (W.), Hillmore House, Thornton Road, Bradford, W. Yorks, 11.00
New London Props, Britannia Hotel, Grosvenor Square, W, 10.30
Portals, Howard Hotel, Temple Place, The Strand, 12.30
Reckitt and Colman, Connaught Rooms, 15 Great Queen Street, WC, 11.00
Sharpe and Fisher, Pittville Pump Room, Evesham Road, Cheltenham, 12.00
Spear and Jackson, Chartered Accountants Hall, Moorgate Place, EC, 11.00

BOARD MEETINGS—
Finals:
Fine Art Devs
Hambros Inv Tst
Scott and Robertson
TR Ind and Gen Tst
TR Nat Res Inv Tst
Thorpac
Vosper
Interims:
Brockhouse
Concentric
Construction Hldgs
Herman Smith
Pleasurama

DIVIDEND & INTEREST PAYMENTS—
BBL Intnl NV FltgRtNts 1986 $339.37
BSR 0.5p
Banco De La Provincia De Buenos Aires FltgRtNts 1988 $339.37
Beaufort 1.4p
Birmingham Drop-Lock 1986-93 £7.6250
Bridon 2.3p
BP 14p
Caterpillar Tractor 67.5cts
Exchequer 12pc 1999 (Irish List) 6pc
Jacobs (John I.) 1.4p
Jones and Shipman 1.05p
Lloydstrust Gilt Fund PtgPf 31p
Lyon and Lyon 4.5p
Municipal Props 8.25p
Pressac 0.35p
Rotan 8.25p
SeaCo 7.5cts
Security Pacific 60cts
Spirax-Sarco 3p
Woodington (J. H.) Drogheda (1836) Ir£3.5p. Do 7½pcPf 5.25pc

FRIDAY MAY 21

COMPANY MEETINGS—
Alcan Aluminium (UK), Alcan House, 30, Berkeley Square, W, 9.30
Bodycote Intnl, The St James's Club, 7, Charlotte Street, Manchester, 12.30
Booker McConnell, London Chamber of Commerce and Industry, 69, Cannon Street, EC, 12.00
Bowater, Hotel Inter-Continental, One Hamilton Place, W, 11.30
Cliffords Dairies, The Balcony Restaurant, Grandstand, Ascot, Berks, 11.30
Finlan (John), Adelphi Hotel, Liverpool, 12.00
Gen Investors and Trustees, 1, Laurence Poutney Hill, EC, 12.00
Grattan, Norfolk Gardens Hotel, Bradford, 12.00
Jamesons Chocolates, Willoughby Lane, Tottenham, N, 2.30
Keep Inv Tst, 4, Water Street, Liverpool, 12.00
Lec Refrigeration, Shripney Works, Bognor Regis, 11.30
Marlborough Property, Howard Hotel, Temple Place, WC, 11.30
Menzies (John), The Merchants Hall, 22, Hanover Street, Edinburgh, 12.15
Reed Executive, Castle Hotel, High Street, Windsor, Berkshire, 2.00
Standard Telephones and Cables, The Chartered Insurance Institute, 20, Aldermanbury, EC, 12.00
Trioxide, 10, Stratton Street, W, 12.30
Utd Ceramic, Lyttleton Arms Hotel, Hagley, Nr Stourbridge, W Midlands, 12.00
Wilson (Connolly), Saxon Inn, Northampton, 12.00

BOARD MEETINGS—
Finals:
Benlox
British Syphon Inds
Brown and Jackson
Debenhams
Hartwells
Interims:
Fulcrum Inv Tst
MAM

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage 5pcDb 1979-83 2½pc
Armstrong Equipt 0.35p
Arncliffe 1.54p
BTR 4.5p
Bifurcated Eng 0.35p
Bridport-Gundry 0.99p
British Mohair Spinners 3.04p
Chambers and Fargus 0.5p
Cliffords Dairies 3.5p
Combined Intnl Cpn 45cts
Dowding and Mills 0.78p
Home Counties Newspapers 3.25p
Hunt and Moscrop 0.3p
Ibstock Johnsen 3p
Jamesons Chocolates 3.6p
Jeavons Eng 1.125p
Keep Inv Tst 0.24p
Lec Refrigeration 5.25p
LASMO 6p
London and Strathclyde Tst 0.8p
Marlborough Prop 0.4p
Merchants Tst 2.4p
Metalrax 1.6p
Murray Clydesdale Inv Tst 0.5p
Park Place Inv 1.75p
Rotork 1.35p
Royal Bk of Canada C$50cts
Royal Insurance 15.5p
Treasury 12½pc 2003-05 6¼pc
Walker (Thomas) 0.1675p
Yorkshire Chemicals 0.5p

SATURDAY MAY 22

DIVIDEND & INTEREST PAYMENTS—
Bemrose Cpn 2.5p
Exchequer 14pc 1984 (Irish List) 7pc. Do 13½pc 1983 6¾pc. Do 12¾pc 1985 6⅜pc
Treasury 9pc 1994 4½pc. Do 3pc 1986 1½pc

SUNDAY MAY 23

Treasury 13¾pc 1993 6⅞pc

This week's business in Commons and Lords

TODAY

Commons: Private members' motions until 7.00 pm; Local Government and Planning (Scotland) Bill, remaining stages.

Lords: Local Government Miscellaneous Provisions) Bill, report stage. Select Committees: Foreign Affairs—Subjects: Falkland Islands and then Caribbean and Central America: British approach to security, stability and development. Witnesses: Mr Cranley Onslow, MP, Minister of State for Foreign and Commonwealth Affairs, and departmental officials (Room 15, 4.30 pm).

Select Committee: Public Accounts — Subject: Export Credit Guarantees Department accounts. Witness: Mr K. Taylor, CB, Secretary, ECGD (Room 16, 4.45 pm).

TOMORROW

Commons: Employment Bill, remaining stages.

Lords: Oil and Gas (Enterprise) Bill, Committee.

Select Committees: Environment—Subject: Inquiry into methods of financing local government in the context of the Government's green paper (CMND 8449). Witnesses: Treasury, Home Office, and Environment Department officials, and Inland Revenue officials (Room 16, 4.00 pm). Committee on a Private Bill: British Transport Docks Bill (Room 5, 11.00 am).

WEDNESDAY

Commons: Employment Bill, Third Reading until about 7.00 pm, followed by Criminal Justice Bill, Third Reading and *remaining stages of Industry* Bill.

Lords: Debate on the report of the Commission on Energy and the Environment entitled "Coal and the Environment." Debate on relations between Britain and China.

Select Committees: Education, Science and Arts—Subject: Department of Education and Science expenditure plans 1981-82 and subsequent years. Witness: Rt.Hon. Sir Keith Joseph, Bt, MP, Secretary of State for Education and Science (Room 6, 10.30 am).

Welsh Affairs — Subject: Scrutiny of Welsh Office quangos. Witnesses: Welsh Arts Council (Room 18, 10.30 am).

Public Accounts — Subject: Fraud at the East Anglian area office of DAHMB. Witness: Mr *Moseley, Property Services* Agency (Room 16, 4.15 pm).

Social Services—Subject: Age of Retirement. Witnesses: Mr Hugh Rossi, Minister of State for Social Security and Lord Trefgarne, Parliamentary Under-Secretary, Department of Health and Social Security.

Treasury and Civil Service Sub-Committee—Subject: The structure of personal income taxation and income support. Witnesses: Department of Health and Social Security officials.

Employment—Subject: *Commission for Racial Equality's draft* Code of Practice. Witnesses: Advisory, Conciliation and Arbitration Service; Association of Independent Businesses (Room 6, 4.15 pm).

Energy — Subject: Combined heat and power. Witnesses: Rt.Hon. Nigel Lawson, MP, Secretary of State for Energy; Mr David Mellor, MP, Parliamentary Under-Secretary of State, Department of Energy (Room 8, 4.30 pm).

Committee on a Private Bill: British Transport Docks.

THURSDAY

Commons: Northern Ireland *Bill, Committee*

Lords: Local Government Finance (No 2) Bill, Committee. Debate on the Second Report of the EEC on agricultural trade policy

Select Committees: Agriculture —Subject: Less favoured areas. Witness: Lord Melchett (Room 16, 11.00 am)

Committee on a Private Bill— British Transport Docks Bill.

FRIDAY

Commons: Derelict Land Bill, Second Reading. Civil Jurisdiction and Judgements Bill, Remaining stages

Lords: Administration of Justice Bill, Third Reading. *Planning Inquiries (Attendance of* Public) Bill, Second Reading. Gaming (Amendment) Bill, Second Reading.

WORLD STOCK MARKETS

NEW YORK

1982 High	1982 Low	Stock	May 14
54¾	41⅛	Cigna	42¼
26⅞	21⅞	Cincinnati Mil	22⅞
29⅜	25⅝	Citicorp	27¼
45¼	24½	Cities Service	55⅝
35⅝	20⅜	City Invest.	24¼
27⅞	25¾	Clark Equipment	21⅝
32	20½	Cleve Cliffs Iron	24
14⅝	10⅝	Clorox	13⅞
17⅛	13⅜	Cluett Peaby	16¾
35⅞	30¼	Coca Cola	33⅝
19	16	Colgate Palm	17⅞
13⅞	10⅜	Collins Aikman	12¾
28⅛	23	Colt Inds	26½
38¼	29⅞	Genuine Parts	36⅞
20½	15½	Georgia Pac	15⅞
51⅞	28½	Geosource	49¾
30⅛	24⅝	Gerbes Prod.	30
64¼	41⅝	Getty Oil	54⅝
22½	16¾	Giddens Lewis	17⅝
36⅞	30¾	Gillette	34⅝
23	10½	Global Marine	14¾
22	19	Goodrich (BF)	21
23⅞	18⅛	Goodyear Tire	23⅝
26⅜	20⅛	Gould	26¼
45⅞	34¾	Grace	40⅛
41	35⅝	Grainger (W.W.)	40
39⅛	28½	McDonnell Doug	34¾
35⅞	26¼	McGraw Edison	30½
54½	45⅜	McGraw-Hill	54½
14⅛	6⅞	McLean Trukg	13⅝
25¼	18¼	Mead	18¼
39⅝	35	Media Genl	39½
45⅝	34	Medtronic	43½
38	33¾	Mellon Natl	33¾
48⅛	37⅝	Melville	48⅛
62⅞	53¾	Mercantile Sts.	62⅞
85½	71	Merck	75
63	53	Meredith	60¼
34⅝	23⅞	Merrill Lynch	29
31	25⅞	Ryder System	29⅝
20½	16⅞	SFN Companies	19¾
22½	15⅞	SPS Technologies	13⅞
39⅛	29⅛	Sabine Corp.	36½
40¼	37¼	Safeco	38½
30⅝	26½	Safeway Stores	30
51⅜	45⅛	St. Paul Cos.	46⅛
29¾	25	St. Regis Paper	26⅝
18⅞	13¾	Sante Fe Inds.	16⅛
8	5⅞	Saul Invest.	7½
5⅞	1⅜	Saxon Indus.	1⅝
31¼	26⅛	Schering Plough	29⅞

Indices

NEW YORK —DOW JONES

	May 14	May 13	May 12	May 11	May 10	May 7	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
♦Industr'ls	857.78	859.11	865.77	865.87	860.92	859.20	882.52 (4/1)	795.47 (8/3)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds.	59.99	60.06	59.93	59.92	60.06	59.61	60.06 (10/5)	55.67 (12/2)	—	—
Transport.	350.64	350.22	350.70	352.84	349.53	352.90	358.49 (7/1)	314.36 (8/3)	447.38 (16/4/81)	12.32 (8/7/32)
Utilities	116.57	116.22	116.75	116.91	116.58	116.55	116.86 (7/5)	105.61 (15/1)	163.32 (20/4/69)	10.5 (28/4/42)
TradingVol 000-†	43,900	58,230	58,210	54,680	46,308	67,150	—	—	—	—

♦ Day's high 864.54 low 853.88

Ind. div. yield %	May 7	April 30	April 23	Year ago (Approx)
	6.42	6.58	6.47	5.71

STANDARD AND POORS

	May 14	May 13	May 12	May 11	May 10	May 7	1982 High	1982 Low	Since Cmpil't'n High	Since Cmpil't'n Low
Indust'ls	131.66	131.75	132.74	132.98	131.74	133.05	137.28 (4/1)	118.41 (8/3)	160.86 (28/11/80)	3.52 (30/6/32)
Composite	118.01	118.22	118.17	119.42	118.58	119.47	122.74 (4/1)	107.34 (8/3)	140.52 (28/11/80)	4.407 (1/6/32)

	May 12	May 5	April 28	Year ago (approx)
Ind. div. yield %	5.52	5.61	5.64	4.70
Ind. P/E Ratio	8.02	7.91	7.88	9.91
Long Gov. Bond yield	12.77	13.91	12.93	13.72

NY. S.E. ALL COMMON

May 14	May 13	May 12	May 11	1982 High	1982 Low
68.11	68.20	68.69	68.80	71.20 (4/1)	62.52 (12/3)

Rises and Falls	May 14	May 13	May 12
Issues Traded	1,865	1,869	1,891
Rises	651	571	678
Falls	726	853	782
Unchanged	488	445	431
New Highs	27	31	57
New Lows	16	18	9

MONTREAL

	May 14	May 13	May 12	May 11	1982 High	1982 Low
Industrials	266.19	289.24	292.57	292.98	332.79 (4.1)	278.46 (16.3)
Combined	270.52	271.58	274.41	274.51	316.88 (4.1)	253.08 (15.3)
TORONTO Composite	1584.8	1570.2	1585.3	1592.6	1966.5 (4.1)	1526.5 (5/5)

NEW YORK ACTIVE STOCKS

Thursday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Amer. Airlines	1,849,200	17⅛	+1	Datapoint	728,400	14⅛	+1⅛
Sony	1,454,700	16½	+¾	Delta Air	694,100	32¾	+1½
Boeing	1,073,900	20¼	+½	TransWorld	643,900	21⅞	+⅝
Braniff	954,600	⅞	−⅛	Tandy	589,700	28¼	+⅜
Mid.So. Util.	872,700	13¾	−⅛	K. Mart	553,700	18⅛	−⅛

	May 14	May 13	May 12	May 11	1982 High	1982 Low
AUSTRALIA All Ord. (1/1/80)	513.5	520.4	526.3	516.4	596.5 (4/1)	465.6 (10/3)
Metal & Minls. (1/1/80)	379.8	384.6	395.8	396.5	425.1 (5/1)	322.2 (2/4)
AUSTRIA Credit Aktien (2/1/62)	52.56	52.47	52.48	52.46	58.98 (4/1)	52.16 (19/4)
BELGIUM Belgian SE (31/12/63)	94.61	94.84	94.68	93.98	102.45 (5/4)	88.42 (20/1)
DENMARK Copenhagen SE (1/1/73)	118.29	118.42	118.81	118.94	128.22 (25/2)	112.90 (8/3)
FRANCE CAC General (31/12/81)	110.60	111.4	111.8	111.8	111.6 (12/5)	85.8 (4/1)
Ind Tendance (31/12/81)	123.50	124.4	124.8	123.5	124.8 (12/5)	97.7 (4/1)
GERMANY FAZ-Aktien (31/12/58)	231.01	230.00	231.06	230.85	233.46 (5/4)	218.56 (18/1)
Commerzbank (Dec 1953)	704.20	701.4	704.5	705.7	728.8 (5/4)	665.7 (18/1)
HOLLAND ANP-CBS General (1970)	94.2	94.0	94.7	94.2	95.8 (10/5)	84.0 (6/1)
ANP-CBS Indust (1970)	73.9	73.8	74.8	74.2	74.8 (10/5)	63.2 (4/1)
HONG KONG Hang Seng Bank (31/7/64)	1367.56	1383.86	1387.35	1381.26	1445.32 (12/1)	1129.85 (8/3)
ITALY Banca Comm Ital. (1972)	185.81	182.59	185.56	185.50	212.56 (18/3)	181.45 (15/1)
JAPAN** Dow Average (16/5/49)	7575.81	7603.21	7569.78	7528.12	7928.55 (27/1)	6983.65 (17/3)
Tokyo New SE (4/1/68)	560.73	562.29	567.04	557.56	585.28 (27/1)	520.70 (17/3)
NORWAY Oslo SE (1/1/72)	123.64	125.50	121.94	121.58	130.59 (26/1)	109.12 (1/4)
SINGAPORE Straits Times (1966)	781.92	785.77	778.65	777.20	810.76 (8/1)	687.40 (9/3)
SOUTH AFRICA Gold (1958)	476.2	(u)	412.9	410.5	589.3 (5/1)	410.6 (11/3)
Industrial (1958)	588.1	(u)	582.0	594.8	711.7 (8/1)	565.5 (28/3)
SPAIN Madrid SE (30/12/81)	101.0	101.36	101.30	101.12	107.45 (9/2)	89.17 (5/1)
SWEDEN Jacobson & P. (1/1/58)	588.75	588.28	585.89	585.75	658.52 (22/1)	565.32 (28/4)
SWITZERLAND Swiss Bank Cpn. (31/12/58)	260.4	258.9	259.2	258.4	265.1 (11/1)	242.5 (11/3)
WORLD Capital Intl. (1/1/70)	—	139.6	140.5	140.6	147.2 (4/1)	123.1 (17/3)

(**) Saturday May 8: Japan Dow 7559.17. TSE 559.31.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed u Unavailable.

SOUTH AFRICA

1982 High	1982 Low	May 14	Price Rand
93.5	59	Gold Fields S.A.	59.5
5.65	3.77	Highveld Steel	4.5
9.6	7.7	Huletts	8.5
38.5	26.5	Kloof	28.5
6.20	5.5	Nedbank	5.75
21.5	16.25	OK Bazaars	18.0
3.7	2.35	Protea Hldgs.	2.55
11.65	9.50	Rembrandt	9.7
5.75	3.8	Rennies	3.8
5.35	3.60	Rust Plat	3.9
3	2.4	Sage Hldgs	2.4
5.16	4.2	SA Brews	4.35
22	15	Tiger Oats	19
4	3	Unisec.	3.45

Financial Rand U.S.$0.81¼ (Discount of 14%)

BRAZIL

1982 High	1982 Low	May 14	Price Cruz
1.95	1.32	Acesita	1.68
14.70	9.45	Banco Brasil	14.70
5.10	3.1	Belgo. Min.	5.10
8.85	6.50	Lojas Amer.	6.75
11.10	6.5	Petrobras PP	11.10
11.20	6.31	Souza Cruz	11.20
15.0	4.65	Unip PE	15.00
16.85	7.6	Vale Rio Doce	16.70

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Artificial fibre production down

PRODUCTION and deliveries of artificial fibres remain depressed, according to figures from the British Man-Made Fibres Federation.

After a slight recovery in the fourth quarter of last year, production in the first quarter of this year fell back to 92,034 tons, 10 per cent down on the first quarter of 1991.

M40 inquiry date

THE public inquiry into the last 46 miles of the M40, which will link Oxford with Birmingham, is to start at the Winter Gardens, Banbury, on September 14. The existing M40, starting in London, ends at Waterstock south of Oxford. Some 800 objections have been lodged against the second stretch of the motorway.

CONTRACTS AND TENDERS

EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times.

It will be published on the following dates:

1982

Wednesday 16th June

Tuesday 13th July

Monday 16th August

Tuesday 14th September

Wednesday 13th October

Thursday 11th November

Tuesday 14th December

There is a limited amount of advertising space available each month. If your company is interested in taking advantage of this offer please contact:

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COVENT GARDEN GALLERY, 20, Russell St., WC2. 836 1139. A Selection of Decorative and Interesting Early British Watercolours and Drawings. OPENS TODAY. Until June 4th. Dly. 10-5.30. Thurs. 7. Sats. 10-12.30.

COLNAGHI, 14, Old Bond St., W1. 01-491 7408. 19th CENTURY FRENCH DRAWINGS until 11 June. Mon.-Fri. 10-6. Sat. 10-11.

Snim s.e.m.

INTERNATIONAL PREQUALIFICATION NOTICE

ISLAMIC REPUBLIC OF MAURITANIA

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE (SNIM s.e.m)

SOCIETE NATIONALE INDUSTRIELLE ET MINIERE, Société d'Economie Mixte (SNIM-sem) with a registered capital of UM 9,059,500,000 (US$ 180 million), *is carrying out a major project (US$ 450 million) in Zouerate (Mauritania).*

This project, both nationally and internationally financed, aims at producing concentrated iron ore and includes equipment and open-cast mining installation, crushing, magnetic separation and continuous handling.

For the training and maintenance personnel for these installations, SNIM require the assistance of specialised firms, to devise and elaborate, in French, training programmes suitable for the equipment and installations to be set up, to apply them to some of the staff to be trained and to ensure the transfer to SNIM training structure.

Training programmes deal with the following units:

Unit 1 : Executive mechanic
Unit 2 : Dumper mechanic
Unit 3 : Shovel and drill mechanic
Unit 4 : Earthmoving equipment mechanic
Unit 5 : Mechanic appointed to preparation of mechanical work
Unit 6 : Diesel motor mechanic
Unit 7 : Power plant diesel motor mechanic
Unit 8 : Machine assembler
Unit 9 : Machine-tool mechanic
Unit 10 : Boilermaker-welder
Unit 11 : Handling workshop and plant mechanic
Unit 12 : Handling and plant operating mechanic
Unit 13 : Hydraulic engineer
Unit 14 : Executive electrician
Unit 15 : Electrician all machines
Unit 16 : Electrician appointed to preparation of electrical work
Unit 17 : Power plant handling and plant electrician
Unit 18 : Coiler
Unit 19 : Electronic instrument electrician
Unit 20 : Executive plant operating
Unit 21 : Operator power plant and plant

Firms interested may request their qualification for all or part of these units. *The selection of the firm(s) is to be done further to a call for tenders, with* precise technical specifications, stressing among other things required results.

Anticipated time-table is as follows:

Selection of the firms	: 06/30/82
Issue of the call for tenders	: 07/01/82
Deadline for tenders	: 10/01/82
Contractual start-up date	: 01/01/83

The anticipated start-up date of the Project being July 1984, most of the training must be completed during 1983.

Firms wishing to tender are requested to send SNIM a prequalification application with the following information:

1—Registered name, equity, annual report and balance sheet
2—References in the training area (training of industrial supervisors, maintenance and operating, in France and abroad)
3—Means in staff and equipment
4—Curriculum vitae of the main agents likely to carry out the contract
5—Earliest anticipated time for handing over the tender
6—Earliest anticipated start-up date after notification of the contract

This application, stating the references of the Unit(s) for which the firm is tendering, *should be sent before June 15th, 1983 to the following address:*

SNIM-sem
Direction Administrative
5 rue Scribe, 75009 PARIS
GUELBS PROJECT—TRAINING PREQUALIFICATION

SNIM reserve the right to turn down an application without substantiating their decision.

The prequalified contractors will be notified by a letter, stating, among other points, the non-refundable amount to be paid for the tendering documents.

INVITATION TO PRE-QUALIFY FOR THE MAINTENANCE OF THE SAUDI ARABIAN TELEVISION NETWORK (SECAM STANDARD) for a period of three years

Section AA

The Ministry of Information of the Kingdom of Saudi Arabia invites the specialised companies having experience in the maintenance of large professional colour television networks. The confident companies are required to submit prequalification applications with other *supporting authenticated* documents as follows:—

A-1 Documents pertaining to the financial status of the company.

A-2 Previous experience in maintaining colour television networks. State very clearly when and where the previous colour television networks have been maintained and state size of these contracts.

A-3 Submit good performance certificates if achieved.

Section BB The current size of the Saudi Arabian Television Network

B-1 (6) *Six Main Television Stations* existing in the major cities of Saudi Arabia. Each TV station has production and transmission facilities and equipped with professional broadcast standard television video and audio equipment.

B-2 (9) Nine Mobile Television Transmitting Centres. Each centre has two transmitters and other general television programme transmitting equipment.

B-3 (5) Five Television Transmitting Centres. Each centre has two TV transmitters. These centres receive video and audio through co-axial cables.

B-4 (27) Twenty-seven Television Transmitting Centres. Each centre has two TV transmitters and receives video and audio through Saudi Arabian Intra Kingdom microwave network.

B-5 (12) Twelve Translators (Transposers) located in twelve different locations.

B-6 (4) *Four television small studios existing in* four different locations.

B-7 (3) Three Microwave Networks in three different locations, being used to carry the television programmes.

Section CC The Work and Services required to be carried out as follows:—

C-1 Maintenance of all existing electronic equipment, power generators, air-conditioning systems, towers, antennas and other related equipment in each television station and at every site as stated above in Section BB.

C-2 Maintenance and cleaning of the buildings, premises and gardens of each television station and at every site as stated in Section BB.

C-3 Regular supply of all spare parts requirements for the above-mentioned TV network either from the local market or from outside the Kingdom.

Section DD General Conditions regarding receiving of the prequalification applications.

D-1 Monday, 7th June, 1982 is the last date for receiving the prequalification applications including requested *documents.*

D-2 Applications can be delivered in person or despatched by a registered airmail addressed to:—
H.E. Assistant Deputy Minister for Administrative Affairs,
Ministry of Information,
Riyadh—Kingdom of Saudi Arabia.

D-3 If additional information is needed kindly contact at Telex No. 201030 SAUD TV SJ.

D-4 All prequalification applications will be honoured if submitted within the specified time limit. Qualified companies will be contacted later to submit their tenders for the maintenance of the Saudi Arabian Television Network for a period of THREE YEARS according to the terms, conditions and specifications of the Ministry of Information.

NOTICE OF AN INTERNATIONAL INVITATION TO TENDER

The Organisation for the Development of the Senegal River (Organisation pour la Mise en Valeur du Fleuve Senegal) (OMVS) is issuing a competitive invitation to tender for the supply of the following wagons, which the African Development Bank (BAD) is being requested to finance:

—10 open wagons (with *lateral* discharge)
—50 covered bogie wagons
—20 container wagons.

The Invitation to Tender is open to all suppliers, with the exception of those who are nationals of South Africa.

The dossiers may be obtained from the Office of the High Commissioner of the OMVS, 5 Place de l'Independance in Dakar, upon payment of 30,000 CFA Francs.

Submission of tenders: Friday, 16 July 1982 at 12.00 noon at the Office of the High Commissioner of the OMVS.

Opening of tenders: Friday, 16 July 1982 at 4.00 p.m. at the Office of the High Commissioner of the OMVS.

Implementing body: OMVS
Telex: 670 ORMIVAF
Telephone: 22.24.69/22.27.77/22.06.68

Bodies responsible for the purchases:
R.C.F.S.: Regie des Chemins de Fer du Senegal
(Senegal Railways Administration)
R.C.F.M.: Regie des Chemins de Fer du Mali
(Mali Railways Administration)

MOKHTAR OULD HAIBA

KINGDOM OF MOROCCO

OFFICE NATIONAL DE L'EAU POTABLE

CALL FOR TENDER No. 24/DE/82
SUPPLY OF DRINKING WATER TO THE TOWN OF AL HOCEIMA AND AREA

The Office National de l'Eau Potable (ONEP) have issued an *international call for tenders concerning the project of supply* of drinking water to the town of AL HOCEIMA from the dam on the Oued NECKOR, 25 kms S.E. of the town, with a debit of 440 litres/second.

The project will be undertaken with the financial participation of the KREDITANSTALT FUR WIEDERAUFBAU (KFW).

Offers are to be made only for the following works:

PART No. 2: INTAKE PIPES (Call to tender)

—Supply, transport and laying down of pipes up-stream to down-stream as follows:
• Plain water piping: Ø 600/380 ml PC: 10
• Purified water piping: Ø 600/7200 ml PC: 10 to 15
Ø 500/14,810 ml PC: 10 to 18
Ø 400/626 ml PC: 10
Including joints, taps, hydraulic machinery, etc.
—Complementary works such as:
Check-holes, thrust blocks, oueds crossings, etc.

PART No. 5: EQUIPMENT OF HIGH PRESSURE PLANT (Preselection Advice)

—Study and realisation of *the equipment for a high pressure plant* to be built between the gravity feed-tank and the town distribution tank:
—Pumping machinery with a debit, simultaneous or not of: 160 to 180 l/s; 210 to 230 l/s; 260 to 280 l/s; 237 l/s *HMT variable.*
—Additional equipment such as: pipe and tube works, taps and hydraulic machinery, other equipment.
—Electric transformer station, control and protection units, remote control.

Interested parties may submit for either or both PARTS, but each PART must be the object of a separate offer.

The bid in figures and the deposit representing 1.5% of the *amount* of the bid must be included in an envelope bearing the term "SOUMISSION," enclosed in a second envelope containing the technical and financial references of the bidder for prior studies of a similar kind and importance.

Tender documents may be obtained at a cost of DH 1,000 by writing to the Equipment Division, Quartier Administratif, RABAT. Payment is to be made to: Monsieur le Directeur General de l'ONEP, CCP-RABAT 106-11-MAROC.

Each bid, bearing the reference number of the tender and the closing date should be addressed to M. le Directeur General de l'ONEP, BP RABAT-CHELLAH, MOROCCO, the closing date being 16 JUNE 1982 at 18.00 hours.

COMPANY NOTICES

LAFARGE COPPEE (CIMENTS LAFARGE)
7½% 1972/1987 FF 100,000,000

Notice is hereby given to Bondholders of the abovementioned loan that the amount redeemable on July 1, 1982, i.e. FF 5,000,000 was bought in the market.

Amount outstanding: FF 65,000,000

THE TRUSTEE
FINIMTRUST S.A.

Luxembourg, May 17, 1982

SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
8¾% 1967-1985 US $30,000,000

NOTICE TO BONDHOLDERS

The US $2,000,000 redemption instalment due June 15, 1982 has been met by a drawing of bonds by lot on April 30, 1982 in the presence of a notary public.

Distinctive numbers of the bonds drawn:

9774/14920 inclusive (taking account of previous repurchases).

Outstanding amount after the redemption on June 15, 1982 US $6,000,000. Bonds drawn will cease to bear interest on June 15, 1982. Bonds presented for repayment must have their coupons as at June 15, 1983 and subsequent attached, and will be paid in accordance with the conditions shown on the bonds.

Previous redemption instalments:
June 15, 1978: Nos 2913/4590 inclusive
June 15, 1979: Nos 20300/22880 inclusive
June 15, 1980: Nos 17015/26046 inclusive
June 15, 1981: Nos 4615/9773 inclusive.

May 15, 1982.

THE NATIONAL BANK OF AUSTRALASIA LIMITED
(Incorporated in the State of Victoria, Australia)

NOTICE IS HEREBY GIVEN that the Registers of Members and Transfer Books of the Company will be closed on Friday 28th May, 1982, for one day, only for the purpose of payment of interim dividend on 25th June, 1982. Transfers must be lodged not later than 5 p.m. on 28th May, 1982.

By Order of the Board of Directors.
P. O. COCHRANE,
B. Comm., F.C.I.S.
Secretary.

EUROPEAN INVESMENT BANK — E.I.B.
7¼ % 1973/1988
FF 200,000,000 Loan

NOTICE IS HEREBY GIVEN to bondholders of the above Loan that a ninth redemation of FF 7,000,000 was effected before May 15, 1982. Amount outstanding on May 15, 1982: *FF 137,000,000.*

Luxembourg,
May 18, 1982.

NOTICE TO BONDHOLDERS
F. L. SMIDTH & CO A/S

U.S.$20,000,000
9½ PER CENT BONDS DUE 1988

Bondholders are hereby informed that the July 1, 1982 redemption instalment of U.S.$1,325,000 has been fully satisfied through purchases in the open market, leaving a balance remaining in circulation after this date *of U.S.$16,025,000.*

THE CHASE MANHATTAN BANK, N.A.,
Principal Paying Agent.

May 17, 1982.

LEGAL NOTICES

IN THE MATTER OF LONDON AND CALIFORNIAN PUBLISHING LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948

NOTICE IS HEREBY GIVEN that the creditors of the above-named Company, which is being wound up, are required on or before the 20th day of June 1982 *to send in their full names, their* addresses and descriptions, full particulars of their debts or claims, and the names and addresses of their Solicitors *(if any)* to *the undersigned, Gerhard* Adolf Weiss, FCA, of Cork Gully, Guildhall House, 81/87 Gresham Street, London EC2V 7DS, the Joint Liquidator *of the said Company, and, if so* required by notice in writing from the said liquidator are, personally or by their Solicitors, to come in and prove *their debts or claims at such time* and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any *distribution made before such debts* are proved.

Dated this 23rd day of April 1982.
G. A. WEISS,
Joint Liquidator.

PERSONAL

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London 01-485 4828

PUBLIC NOTICE

GREATER LONDON BILLS

£35m Bills issued 13.5.82, maturing 12.8.82 @ 12.4427%. Total applications £230.5m. Bills outstanding £60m.

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WANDSWORTH BOROUGH COUNCIL

Part renewal of district heating mains at Roehampton

Contractors wishing to be considered for selection to tender for the replacement of approximately 1,000 metres of hot water flow and return distribution mains forming part of the district heating mains on the Alton West Estate S.W.15 should submit names to the Director of Administration, The Town Hall, Wandsworth High Street, London SW18 2PU, by 4th June 1982.

The work will involve forming a trench adjacent to the existing heating duct and installing new pre-insulated mains. The existing mains will provide a service to the estate during this period.

It is anticipated that the specification and drawings will be issued by the Acting Director of Development to selected contractors in June 1982 and the *contract period* will commence in July/August 1982. Applicants must submit details of labour, technical and supervisory staff available, together with names and addresses of two technical and two financial referees, unless this information has already been provided for a similar contract within the last twelve months.

The engineering design for this scheme will be provided by the Council's Acting Director of Development.

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Tel. (Intern.) 32.87.773916.

INTERNATIONAL BIDDING

Under the terms of the World Bank loans, the Port of Bar Working Organisation/PBWO, Bar, Yugoslavia, invites bids for construction and delivery of:

Two port tug-boats of 1500 hp each, equipped with fire-fighting equipment and sea protection equipment, with VOITH-SCHNEIDER type propellers.

Date for delivery of tugs should be as early as possible. Interested bidders may obtain the bidding documents from the PBWO at 81350 Bar against payment of dinars 10,000 to the account *No. 20130-601-14653* for Yugoslav bidders, or US$350 to the account No. 20100-620-37-25730-421/25 for foreign bidders, at the Investiciona banka — Udruzena banka, *Titograd, with indication RO Luka Bar — RZ Izgradnja.*

The closing date for submission is 10.00 hours on July 10, 1982. Public opening of bids will take place on the same date at *11.00 hours* at PBWO's office.

Bidders from countries eligible under current World Bank Procurement Guidelines are invited to participate in this bidding.

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CURRENCIES, MONEY and GOLD

MONEY MARKETS

BY COLIN MILLHAM

A week of hopes and fears

LONDON SHORT-TERM interest rates moved up nervously as last week drew to an end. Earlier rates had maintained the recent downward trend, with the fixed periods easing down to around 13 per cent by Wednesday. This partly reflected the lack of any bad news from the task force in the South Atlantic and was also a sign of growing optimism about Britain's economic prospects.

On the other hand the lack of progress in the diplomatic efforts to solve the Falklands crisis, left the market very wary by Friday, fearing a possible invasion of the islands over the weekend. At the same time there was disappointment at the recent trend in U.S. interest rates, with three-month U.S. Treasury bills moving up to 12.34 per cent on Friday, from 12.30 per cent at the end of the previous week. Over the same period three-month London interbank rose to 13 3/32 per cent from 13 1/16 per cent.

The total shortage of day-to-day credit in London was around £1.75bn, but the Bank of England seemed to find unusual difficulty in forecasting the size of the daily shortages. On Wednesday the figure was revised three times, eventually rising to £150m from the first estimate of £50m. The forecast was also raised by £100m, to £450m on Thursday.

At the beginning of the week the authorities were understandably reluctant to cut bill dealing rates with the market, despite signs of renewed reluctance by the discount houses to part with paper. The hopes that interest rates will be much lower in the near future were soon tempered by fears that U.S. rates may not fall as quickly as recent indication have suggested however, and the market tone on Friday was much more cautious.

In Frankfurt call money eased slightly to around 9 per cent; following the injection of DM 8.3bn liquidity by the Bundesbank at the start of the week, and the announcement of DM 4.2bn in assistance on Friday by way of another securities repurchase agreement. Banks also made increased use of the 9 per cent Lombard facility to build up minimum reserve requirements, probably having held off from borrowing under the old 9½ per cent special Lombard facility.

WEEKLY CHANGE IN WORLD INTEREST RATES

	May 14	change		May 14	change
LONDON			**NEW YORK**		
Base rates	13	Unch'd	Prime rates	16 1/2	Unch'd
7 day interbank	13 3/8-13 5/8	+5/4	Federal funds	14 1/8-14 3/4	-3/8
3 mth interbank	13 1/8-13 1/16	+1/32	3 mth Treasury Bills	12.34	+0.04
Treasury Bill Tender	12.5023%	-0.1157	6 Mth. Treasury Bills	12.34	+0.06
Band 1 Bills	13 1/8	Unch'd	3 Mth. C D	13.45	-0.35
Band 2 Bills	13	Unch'd	**FRANKFURT**		
Band 3 Bills	12 7/8*	Unch'd	Lombard	9.0	Unch'd
3 Mth. Treasury Bills	13 1/32	+1/16	One Mth. Interbank	9.225	Unch'd
1 Mth. Bank Bills	13 1/16	+1/8	Three month	9.125	+0.025
3 Mth. Bank Bills	12 5/8	-1/32	**PARIS**		
TOKYO			Intervention Rate	16	Unch'd
One month Bills	7.21875	Unch'd	1 Mth. Interbank	15 1/32	-1/32
Three month Bills	7.15625	+0.06	Three month	16 1/32	+1/32
BRUSSELS			**MILAN**		
One month	14 3/4	Unch'd	One month	20 1/16	Unch'd
Three month	15	Unch'd	Three month	20 1/8	Unch'd
AMSTERDAM			**DUBLIN**		
One month	8 1/8	+1/8	One month	19 1/16	Unch'd
Three month	8 7/8	+1/16	Three month	19 1/16	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. *Band 4 12¾.

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 14 11/16	offer 14 15/16
6 months U.S. dollars	
bid 14 5/8	offer 14 3/4

The fixing rates (May 14) are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

May 14 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	11-14	13 3/8-13 5/8	—	—	13 1/4-13 5/8	10-13 1/4	—	—	—
2 days notice	—	—	13 1/8-13 3/8	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	13 3/8-13 5/8	13 1/8-13 3/8	—	—	13 1/8-13 3/4	13	—	—	—
One month	13 1/16 13 1/16	13 1/16-13 1/16	13 1/8	13 5/8-13 3/8	13 1/4	13 3/8-13 5/8	12 7/8-13	13-13 1/32	13 1/16	13 3/4
Two months	13 1/32-13 1/8	13 1/32-13 1/32	—	13 1/2-13 1/4	13 1/4	13 1/8	12 3/4	12 7/8-12 31/32	12 29/32-12 1/2	13 1/2
Three months	13 1/16-13 1/16	13 1/8-13 1/16	13 1/4	13 1/2-13 1/4	13 1/4	13 1/8	12 1/2-12 5/8	12 1/16	12 5/8	13 1/4
Six months	13 1/16-12 15/16	13 1/8-13 1/16	13 1/8	12 5/8-12 3/8	13 1/4	—	—	—	12 1/4	12 3/4
Nine months	13 1/16-12 15/16	13 1/8-13 1/16	—	13 5/8-13	13 1/4	—	—	—	—	—
One year	13 1/16-12 15/16	13 1/8-13 1/16	13 1/4	13 1/4-13	13 1/4	—	—	—	—	—
Two years	—	—	13 5/8	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three days 13⅞ per cent; four years 13⅞ per cent; five years 13⅞ per cent. ΦBank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12½-12 9/16 per cent; four months trade bills 13⅛ per cent.

Approximate selling rates for one month Treasury bills 12⅞ per cent; two months 12¾ per cent; three months 12½ per cent. Approximate selling rate for one month bank bills 12 13/16 per cent; two months 12 23/32-12 13/16 per cent and three months 12½ per cent; one month trade bills 13½ per cent; two months 13¼ per cent; three months 13 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 14 per cent from May 1 1982. London and Scottish Clearing Bank Rates for lending 13 per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 10-10¼ per cent. Treasury Bills: Average tender rates of discount 12.5023 per cent.

Certificates of Tax Deposit (Series 5) 13¼ per cent from May 14. Deposits withdrawn for cash 11 per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

May 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	13 1/4-13 1/2	14 7/8-15 1/8	16-17	8 1/16-9 1/16	1 1/4-1 3/4	8 1/2-8 1/16	24-28	18 1/2-20 1/2	14 1/4-16 1/4	15 1/4-15 1/2	6 3/4-7	20 3/4-21 1/8
7 days' notice	13 1/8 13 3/8	14 7/8-15 1/8	16-17	9-9 1/4	1 1/4-1 3/4	8 1/2-8 7/8	24-28	20 3/4-22 3/4	16 1/2-20	15 1/8-15 1/4	6 7/8-7	20 3/4-21 1/8
Month	13 1/8-13 1/4	14 3/4-15	16-16 3/8	8 7/8-9	2 1/16-2 1/16	8 1/2-8 1/16	24 1/2-25 1/2	22 7/8-24 7/8	16 1/2-18	14 7/8-15	6 1/2-6 3/4	20 7/8-21 1/2
Three months	13 1/8-13 1/4	14 1/2-14 3/4	15 1/2-15 7/8	8 3/4-8 7/8	3 1/16-3 1/16	8 1/2-8 1/16	22 3/4-23 3/4	23 3/8-24	16-17	14 3/4-14 7/8	6 1/2-7 1/16	20 7/8 21 1/2
Six months	13 1/8-13 1/4	14 1/16-14 1/16	15 1/2-15 7/8	8 1/2 8 1/2	4 3/8-4 1/2	8 1/2-8 5/8	22-23	23 3/8-24	16-16 1/2	14 5/8-14 3/4	7-7 1/8	19 1/4-19 5/8
One Year	13 1/16-13 1/16	14 1/16-14 1/16	15 1/2-15 7/8	8 7/8-9	4 1/2-4 1/16	8 3/8-8 1/2	19 3/4-20 3/4	23 1/8-24 1/8	15 1/2-16	14 1/16-14 1/16	6 1/2-7 1/16	18-18 3/8

SDR linked deposits: one month 13 3/16-13 11/16 per cent; three months 13⅛-13½ per cent; six months 13-13⅜ per cent; one year 12 13/16-13 3/16 per cent.

ECU linked deposits: one month 14 3/16-14 7/16 per cent; three months 14-14⅜ per cent; six months 13 13/16-14 3/16 per cent; one year 13¼-13⅝ per cent.

Asian $ (closing rates in Singapore): one month 14 13/16-15 1/16 per cent; three months 14 9/16-14 13/16 per cent; six months 14½-14¾ per cent; one year 14¼-14½ per cent. Long-term Eurodollar two years 14⅝-14⅞ per cent; three years 14⅞-15⅛ per cent; four years 15-15¼ per cent; five years 15-15¼ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one month 14.50-14.60 per cent; three months 14.25-14.35 per cent; six months 14.15-14.25 per cent; one year 14.00-14.10 per cent.

CURRENCIES AND GOLD

Dollar firm

The dollar reversed its recent decline in the foreign exchange markets last week. On Friday figures released for the producer price index and industrial production were in line with market estimates, but there were signs of nervousness about the weekly money supply figures. It was suggested that M1 could increase by $4bn, compared with earlier estimates of less than $2bn.

According to Bank of England calculations the dollar's trade-weighted index rose to 113.8 from 111.7. The U.S. currency improved to DM 2.3060 from DM 2.2905 against the D-mark; to FFr 6.0675 from FFr 5.9775 against the French franc; to SwFr 1.9440 from SwFr 1.8910 in terms of the Swiss franc; and to Y235 from Y232.85 against the Japanese yen.

Sterling's trade-weighted index rose to 90.4 from 90.0 as the pound improved against major Continental currencies and the yen, but showed little change against the dollar, after a very firm trend in the early part of the week. Sterling touched a peak of $1.8460 on Wednesday, but finished at $1.8250, a fall of only 5 points.

The pound rose to DM 4.21 from DM 4.1850; to FFr 11.00 from FFr 10.91; to SwFr 3.55 from SwFr 3.4550; and to Y429 from Y425. A relatively quiet week in the Falklands dispute, from the military point of view, while diplomacy was given a further chance to produce results kept sterling fairly steady.

The Danish krone overtook the D-mark at the top of the European Monetary System on Monday, but this was shortlived, with the D-mark becoming the strongest currency again throughout the rest of the week. The Irish punt remained the weakest member of the system, below the Belgian franc, which continued to suffer from speculative pressure.

Gold rose $2½ to $335½ after a very quiet week. It touched a low of $328½-329 on Monday and a peak of $333½-334 on Wednesday.

THE DOLLAR SPOT AND FORWARD

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8140-1.8280	1.8245-1.8255	0.27-0.37c dis	-2.10	0.70-0.80dis	-1.64
Ireland†	1.4940-1.5020	1.5000-1.5020	0.66-0.56c pm	4.89	1.80-1.75 pm	4.88
Canada	1.2250-1.2400	1.2274-1.2278	0.12-0.15c dis	-1.31	0.31-0.34dis	-1.05
Nethlnd.	2.5625-2.5720	2.5645-2.5675	1.38-1.28c pm	6.21	3.72-3.62 pm	5.72
Belgium	43.55-43.77	43.62-43.64	7-10c dis	-2.34	20-23 dis	-1.97
Denmark	7.8175-7.8425	7.8200-7.8250	3.15-3.40ore dis	-5.01	7.75-8.25dis	-4.08
W. Ger.	2.3025-2.3175	2.3055-2.3065	1.27-1.22pf pm	6.50	3.45-3.40 pm	5.94
Portugal	69.75-70.65	70.35-70.60	60-200c dis	-21.28	150-525dis	-19.15
Spain	102.35-103.00	102.80-102.90	20-25c dis	-2.80	80-95 dis	-3.40
Italy	1283-1286	1283¼-1284¼	8½-9½ lire dis	-8.41	23-26 dis	-7.63
Norway	5.9480-5.9600	5.9560-5.9590	1.20-1.50ore dis	-2.72	2.75-3.15dis	-1.98
France	6.0200-6.0425	6.0275-6.0325	5-5½c dis	-10.70	12-13½ dis	-8.46
Sweden	5.7690-5.7870	5.7840-5.7870	1.20-1.00ore pm	2.34	2.70-2.55 pm	1.82
Japan	234.90-237.20	234.95-235.05	1.88-1.69y pm	8.37	4.80-4.38 pm	7.54
Austria	16.24-16.31½	16.25½-16.26½	10-9½gro pm	7.27	25½-22½ pm	5.83
Switz.	1.9360-1.9490	1.9435-1.9445	2.15-2.07c pm	13.02	5.52-5.46 pm	11.30

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8140-1.8280	1.8245-1.8255	0.27-0.37c dis	-2.10	0.70-0.80dis	-1.64
Canada	2.2440-2.2600	2.2375-2.2385	0.60-0.70c dis	-3.48	1.50-1.60dis	-2.78
Nethlnd	4.69¼-4.69½	4.67-4.68	2-1½c pm	4.49	5-4½ pm	4.06
Belgium	79.20-79.80	79.55-79.65	25-35c dis	-4.52	65-75 dis	-3.52
Denmark	14.21-14.29	14.27-14.28	5½-6½ore dis	-7.62	21-22¾ dis	-6.09
Ireland	1.2110-1.2210	1.2150-1.2160	0.62-0.76p dis	-6.81	1.90-2.08dis	-6.55
W. Ger.	4.19-4.22	4.20½-4.21½	1¾-1¾pf pm	4.63	4¾-4¼ pm	4.27
Portugal	127.50-129.00	128.35-128.85	110-385c dis	-23.56	325-1015dis	-20.84
Spain	186.75-187.75	187.40-187.60	60-85c dis	-4.64	215-255 dis	-5.01
Italy	2333-2348	2344-2346	13-22 lire dis	-10.49	59-63 dis	-10.49
Norway	10.81-10.88	10.86½-10.87½	5¼-6¼ore dis	-6.62	11¾-12¼ dis	-4.41
France	10.95-11.02	10.99½-11.00½	10-14c dis	-13.09	26-30 dis	-10.18
Sweden	10.49-10.55	10.52-10.53	0-1¼ore dis	-0.71	1¾ pm-1¼ dis	-0.09
Japan	427-433	428½-429½	2.50-2.15y pm	6.50	6.65-6.30 pm	6.04
Austria	29.55-29.70	29.65-29.70	14¾-11½gro pm	5.10	34-27½ pm	4.14
Switz.	3.52½-3.56	3.54½-3.55½	3½-3½c pm	11.41	8¾-8¼ pm	9.72

Belgian rate is for convertible francs. Financial franc 87.75-87.85. Six-month forward dollar 1.26-1.35c dis. 12-month 2.05-2.25c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.8250	1.8282	1.8325	1.8361	1.8469
D-Mark	4.2100	4.1938	4.1650	4.1199	4.0359
French Franc	11.0000	11.1200	11.2800	11.4832	11.6997
Swiss Franc	3.5500	3.5163	3.4650	3.3978	3.2750
Japanese Yen	429.0	426.7	422.5	416.6	405.4

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU May 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.6963	45.0820	+0.86	+1.05	±1.5440
Danish Krone	8.18382	8.08385	-1.22	-1.03	±1.6428
German D-Mark	2.41815	2.38579	-1.34	-1.15	±1.1097
French Franc	6.19564	6.22647	+0.50	+0.69	±1.3743
Dutch Guilder	2.66382	2.65082	-0.49	-0.30	±1.5069
Irish Punt	0.686799	0.689723	+0.43	+0.62	±1.6689
Italian Lira	1305.13	1324.90	+1.51	+1.51	±4.1242

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

For Sterling/ECU rate see CURRENCY RATES table.

GOLD MARKETS

	May 14		May 13	
Gold Bullion (fine ounce)				
Close	$334½-335½	(£183¼-184¼)	$331½-332½	(£181¼-182¼)
Opening	$331½-332½	(£182-182½)	$331½-332½	(£180½-181¼)
Morning fixing	$331.75	(£181.862)	$331.75	(£180.823)
Afternoon fixing	$335.25	(£182.653)	$331	(£181.023)
Gold Coins				
Krugerrand	$347-347½	(£190-190½)	$341½-342½	(£187¼-187¾)
½ Krugerrand	$178½-179½	(£98-98½)	$176-177	(£96½-97)
¼ Krugerrand	$91-92	(£49¾-50½)	$89½-90½	(£49-49½)
1/10 Krugerrand	$37-38	(£20¼-20¾)	$36½-37½	(£20-20½)
Mapleleaf	$346½-347½	(£189½-190½)	$341-342	(£187-187½)
New Sovereigns	$81-82	(£44¼-45)	$80-81	(£44-44½)
King Sovereigns	$94-95	(£51½-52)	$94½-95½	(£51¾-52¼)
Victoria Sovs	$94-95	(£51½-52)	$94-95	(£51½-52)
French 20s	$70-80	(£38¼-43¾)	$68-78	(£37¼-42¾)
50 pesos Mexico	$414½-417	(£227¼-228½)	$406½-409	(£222¾-224¼)
100 Cor. Austria	$329½-332	(£180½-182)	$323-325½	(£177-178½)
$20 Eagles	$430-435	(£235¾-238¼)	$430-435	(£235¾-238½)

OTHER CURRENCIES

May 14	£	$		£ Note Rates
Argentina Peso	25,652-25,692†	14,100-14,150†	Austria	29.50-29.80
Australia Dollar	1.7180-1.7200	0.9415-0.9420	Belgium	87.50-88.50
Brazil Cruzeiro	286.60-287.60	157.57-158.36	Denmark	14.18-14.32
Finland Markka	8.196-8.215	4.5010-4.5030	France	10.93-11.03
Greek Drachma	112.068-115.485	62.50-62.70	Germany	4.19-4.23
Hong Kong Dollar	10.49-10.50½	5.7590-5.7640	Italy	2305-2355
Iran Rial	148.20*	80.50*	Japan	430-435
Kuwait Dinar/KD	0.52045-0.52145	0.2858-0.2859	Netherlands	4.65-4.70
Luxembourg Fr.	79.55-79.65	43.62-43.64	Norway	10.81-10.91
Malaysia Dollar	4.1825-4.1925	2.2975-2.3005	Portugal	125-131
New Zealand Dlr.	2.3615-2.3655	1.2940-1.2950	Spain	180-159¼
Saudi Arab. Riyal	6.2475-6.2575	3.4300-3.4315	Sweden	10.48-10.58
Singapore Dollar	3.8050-3.8150	2.0900-2.0930	Switzerland	3.52¼-3.58
Sth. African Rand	1.9370-1.9400	1.0615-1.0630	United States	1.80¾-1.82¾
U.A.E. Dirham	6.6865-6.6985	3.6710-3.6730	Yugoslavia	81½-97

† Now one rate. * Selling rate.

CURRENCY MOVEMENTS

May 14	Bank of England Index	Morgan Guaranty Changes%
Sterling	90.4	-32.9
U.S. dollar	112.8	+6.1
Canadian dollar	86.6	-19.3
Austrian schilling	118.7	+25.7
Belgian franc	95.8	-1.6
Danish kroner	84.8	-12.5
Deutsche mark	126.2	+48.7
Swiss franc	148.0	+98.0
Guilder	115.6	+21.8
French franc	79.8	-14.5
Lira	54.2	-58.4
Yen	138.2	+33.1

Based on trade weighted changes from Washington agreement December, 1971. Bank of England index (base average 1975=100).

CURRENCY RATES

May 14	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.623715	0.567489
U.S. $	12	1.13485	1.03045
Canadian $	15.41	—*	1.27724
Austria Sch.	6½	18.4590	16.7911
Belgian F.	14	49.5589	45.0820
Danish Kr.	11	8.87566	8.08385
D mark	7½	2.62037	2.38579
Guilder	8	n/a	2.65082
French Fr.	9½	6.84766	6.22647
Lira	19	1457.15	1324.90
Yen	5½	267.938	244.010
Norwgn. Kr.	9	6.75690	6.13786
Spanish Pts.	8	116.614	105.981
Swedish Kr.	10	6.54695	5.96217
Swiss Fr.	5½	2.20615	2.00432
Greek Dr'ch.	20½	71.4218	64.8512

*C$/SDR rate for May 13: 1.41141.

EXCHANGE CROSS RATES

May 14	Pound St'rling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canadia Dollar	Belgian Franc
Pound Sterling	1	1.825	4.210	429.0	11.00	3.550	4.675	2345.	2.258	79.60
U.S. Dollar	0.548	1.	2.307	235.1	6.027	1.945	2.562	1285.	1.237	43.62
Deutshemark	0.238	0.433	1.	101.9	2.613	0.843	1.110	557.0	0.536	18.91
Japanese Yen 1,000	2.351	4.254	9.814	1000.	25.64	8.275	10.90	5466.	5.263	185.5
French Franc 10	0.909	1.659	3.827	390.0	10.	3.227	4.250	2132.	2.053	72.35
Swiss Franc	0.282	0.514	1.186	120.8	3.099	1.	1.317	660.6	0.636	22.42
Dutch Guilder	0.214	0.390	0.901	91.76	2.353	0.759	1.	501.6	0.483	17.03
Italian Lira 1,000	0.426	0.778	1.795	182.9	4.691	1.514	1.994	1000.	0.963	33.94
Canadian Dollar	0.443	0.808	1.864	190.0	4.872	1.572	2.070	1039.	1.	35.25
Belgian Franc 100	1.256	2.293	5.289	538.9	13.82	4.460	5.873	2946.	2.837	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4 01-248 9111

Property Fund	226.5	238.5		—
Equity Fund	52.8	55.6	-0.4	—
Property Acc.	265.4	279.4		—
Equity Acc.	50.5	53.2	-0.4	—
Selective Fund	150.7	157.9	-0.8	—
Money Fund	165.3	174.1		—
Convertible Fund	177.3	186.7		—
Prop. Fd. Ser. 4	209.2	220.3		—
Equity Ser 4	56.4	59.4	-0.5	—
Man. Ser. 4	200.6	211.2	-0.7	—
Money Ser 4	150.0	157.9		—
Conv. Ser 4	150.1	158.1		—
Fixed Int. Fd. Ser. 4	117.1	123.3		—
American Ser. 4	112.1	118.0	-0.6	—
High Inc. Ser. 4	117.8	124.2	-0.7	—
Indexed Inv. Series 4	95.7	100.8		—
Pension Property	315.7	332.4		—
Pension Equity	289.4	304.7	2.2	—
Pension Selective	150.9	158.9	0.7	—
Pension Managed	[illegible]	318.9	1.0	—
Pension Security	219.2	230.8		—
Pension Fixed Int.	112.8	118.8		—
Pension Indexed Inv	95.8	100.9		—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W 1 01-437 5962

Equity Fd. Acc.	324.7	341.7	-0.9	—
Fixed Int. Acc.	194.3	204.5	-0.6	—
Gtd. Money Fd. Ac.	155.1	163.3		—
Intl. Man. Fd. Acc.	146.6	154.4	+0.1	—
Intl. Fxd. Int. Fd.	108.4	114.1	+0.3	—
Prop. Fd. Acc.	158.5	166.8		—
M'ple Inv. Acc.	253.6	266.9	-0.6	—
Equity Pen.Fd.Acc.	447.2	470.7	-1.5	—
Fixed I.Pen.Acc.	311.1	327.4	-1.4	—
G'td.Mon.Pen.Acc.	213.9	225.2	+0.1	—
Intl.Mn.PnFdAcc.	172.4	181.4	-0.2	—
Prop.Pen.Acc.	208.6	219.6	+0.1	—
M'ple Inv.Pen.Acc.	368.1	387.4	-1.0	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 762122

Crown Life—Continued

St. George Mangd. Fd.	109.1	114.8		—
Lincs & Gen.Fd.	120.5	126.8		—
Sage Fd.	87.4	92.0		—
Heritage Fd.	97.4	102.5		—
DBS Managed	102.6	108.0		—
Crown, Brit. Inv A		217.2		—
Pens. Mixed. Fd	147.5	152.8	-0.5	—
Pens. Mang'd. Acc.	110.8	115.7	-0.3	—
Pens. Mang'd. Init.	106.5	112.1	-0.2	—
Pens. Equity Acc.	102.4	107.7	-0.5	—
Pens. Equity Init.	99.7	104.9	-0.5	—
Pens. Fxd. Int. Acc.	106.1	111.6	-0.1	—
Pens. Fxd. Int. Init.	102.7	108.1		—
Pens. Money Acc.	107.4	113.0	+0.1	—
Pens. Money Init.	104.1	109.5	+0.1	—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N4DJ 488 2323

Growth Prop May 4.	100.1	110.1		—
Managed Pens Apr 14	112.11	118.10		—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2 01-588 1212

Eagle/Mid. Units	78.3	81.2	-0.2	6.03

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe 0494 33377

UK Equities Fund	188.1	198.0	-0.1	—
Higher Inc. Fund	120.2	126.5	+0.2	—
Property Fund	190.6	200.6		—
Fixed Interest Fund	139.8	147.1	-0.4	—
Index Linked Secs Fnd	92.8	96.7	+0.1	—
Gtd. Deposit Fund	134.3	141.3		—
Nth. America Fund	108.9	114.6	+0.8	—
Far East Fund	90.0	94.7	-0.5	—
International Fund	102.4	107.7	+0.1	—
Mixed Fund	167.2	175.9	-0.1	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe 0494 33377

Ind. Pen. Equity	190.4	200.4	+12.6	—
Ind. Pen. Property	142.9	150.4	+1.3	—
Ind. Pen. Fixed Int.	136.0	143.1	+4.3	—
Ind. Pen. Indx Lk. Sec.	101.4	106.7	-1.8	—
Ind. Pen. Overseas	152.9	160.9	+6.8	—
Ind. Pen. Cash	134.2	141.2	+1.4	—

OFFSHORE AND OVERSEAS

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. Z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies.

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

LOANS—Continued

Financial

[illegible]

Building Societies

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1983-84. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1983. N Dividend and yield based on prospectus or other official estimates for 1982-83. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	41	......		**IRISH**	
Bertrams	17¢	......	Conv. 9% '80/82	£96⅞	+½
Bdg'wtr. Est. 50p	412	......	Nat. 9¾% 84/89	£71	+½
Craig & Rose £1	£12¼	......	Fin. 13% 97/02	£74⅝	+⅛
Finlay Pkg. 5p	27	−½	Alliance Gas	72	......
Graig Ship. £1	£26	......	Arnott	210	......
Higsons Brew	82	......	Carroll (P.J.)	74	+1
Holt (Jos) 25p	585	......	Concrete Prods.	90	......
I.O.M. Stm. £1	120	−2	Heiton (Hldgs.)	19	......
Pearce (C. H.)	£11	......	Irish Ropes	35	......
Peel Hldgs.	145	......	Jacob	67	−½
Sheff. Refrshmt.	75	......	T.M.G.	4	......
Sindall (Wm.)	205	......	Unidare	43	......

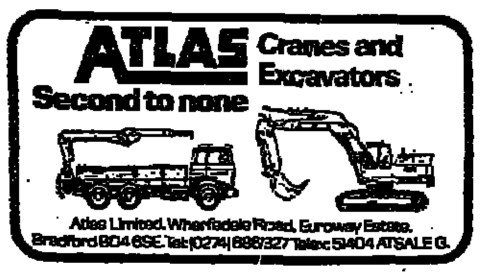
OPTIONS

3-month Call Rates

[illegible]

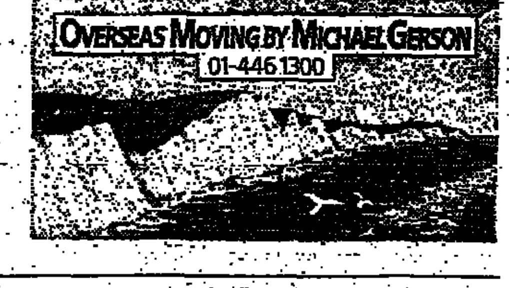
Gen. Accident	28	Reed Intnl.	26	Tricentrol	22
Gen. Electric	65	Sears	6	Ultramar	38
Glaxo	42	Tesco	5½		
Grand Met	17	Thorn EMI	42	**Mines**	
G.U.S. 'A'	45	Trust Houses	11	Charter Cons.	25
Guardian	25	Tube Invest.	13	Cons. Gold	45
G.K.N.	15	Turner & Newall	11	Lonrho	7
Hawker Sidd	30	Unilever	55	Rio T. Zinc	42

"Recent Issues" and "Rights" Page 16



FINANCIAL TIMES

Monday May 17 1982



Prices pressure on BNOC

BY RAY DAFTER, ENERGY EDITOR

BRITISH National Oil Corporation is likely to resist pressure for a rise in North Sea oil prices next month, though traders claim that UK producers are selling at a substantial discount.

The BNOC stance comes in the face of authoritative reports that improved market conditions have begun to attract customers back to Nigeria, Britain's chief light-crude competitor.

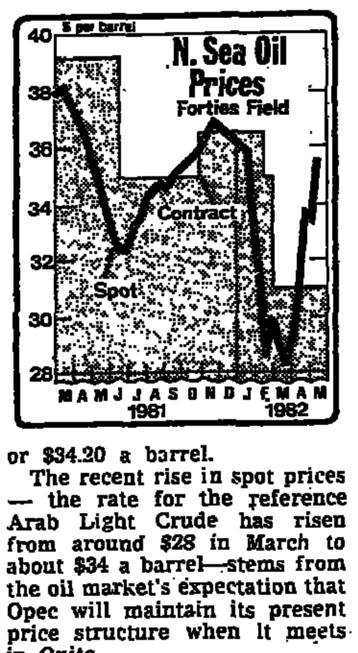
The Nicosia-based oil journal, Middle East Economic Survey, said yesterday that Nigerian oil output was rising faster than expected and could "reach or even surpass" 1.3m barrels a day this month from 880,000 b/d in April.

Oil industry experts in London believe Nigeria will have reached the 1.3m b/d production ceiling imposed on it by the Organisation of Petroleum Exporting Countries (Opec) by the time Opec ministers meet in Quito, Ecuador, this Thursday.

The free-market spot price of individual cargoes from the North Sea was said to be $35-$35.50 a barrel at the weekend compared with the BNOC-led contract rate of $31. Independent oil companies, which make their money producing and selling North Sea crude, say there is a case for raising the contract rate by $2 or $3 a barrel on June 1.

But BNOC is unlikely to make a move until the end of June when the current contract period expires. The state-owned corporation which, as the biggest trader of North Sea crude is also the price setter, has made it plain to the rest of the industry that it will re-open negotiations on contracts in the present quarter only if world oil prices change dramatically.

The view is shared within major oil corporations and the Government, neither of which is pressing for an early rise in contract rates. The large, integrated companies like British Petroleum, Shell and Esso are interested in feeding their refineries with as cheap a crude as possible. They say the prices of refined products would justify a North Sea spot price of no more than $34.10 or $34.20 a barrel.



The recent rise in spot prices — the rate for the reference Arab Light Crude has risen from around $28 in March to about $34 a barrel—stems from the oil market's expectation that Opec will maintain its present price structure when it meets in Quito.

In spite of the worldwide glut of oil, which has forced Opec members to produce at half of their installed capacity, pressure from their customers they have managed to resist to cut their contract rates below the present reference level of $34.

The London newsletter, London Oil Reports, says today that Saudi Arabia could lower its production ceiling from 7m b/d to 6.5m. It says Saudi output has probably sunk to 6.2m b/d, from 6.5m b/d at the beginning of the month.

If, as seems likely, Opec holds its reference price of $34 a barrel this week, BNOC is almost certain to raise its prices on July 1. It is possible the North Sea reference will be raised to match the Opec marker price.

It seems unlikely that oil prices in general will rise over the next few years. A new report by Intercommodities, a trading member of the International Petroleum Exchange in London, says that the downward pressure on crude oil and gas oil prices is likely to continue. Oil surpluses were expected to remain for at least the next few years.

Calls for oil depletion, Page 5
Gulf minutes break off talks, Page 3

Esso plans radical change on drivers' pay

By Brian Groom, Labour Staff

ESSO is proposing to depart radically from many of the most entrenched features of British pay and productivity bargaining in a new deal for its 1,700 oil tanker drivers and distribution workers.

The aim is to cut delivery costs and sharpen the company's competitive edge

It could take Esso out of the firing line in the industry's normally difficult autumn pay negotiations for tanker drivers, either by a shift from its November settlement date or simply by putting its bargaining on a different footing from that of other companies.

Esso is the only company not to have reached a recent productivity deal. This makes it vulnerable to strike threats because its drivers have fallen behind in the level of pay and conditions. It has now put forward outline proposals for a self-financing deal to improve work methods, restructure wages and reschedule annual pay talks.

Drivers would be paid for work completed rather than time spent at work, throwing out traditional concepts such as shift premiums and overtime at enhanced rates. Whereas productivity deals normally offer extra payments to reward improved efficiency, Esso would build its productivity requirements into the basic pay calculation.

Drivers would work four basic duty periods a week, varying from eight to 11 hours according to workload, with a voluntary fifth period. They would operate schedules, and be paid for "schedule hours," calculated according to improved work standards, specifying the time jobs take.

The "schedule hour rate would be much higher than present basic pay. The consultative document talks of a new minimum earnings guarantee of £159.60 a week, for 38 scheduled hours, compared with £113.50 for 40 hours. "Unsocial hours" payments, would replace shift pay.

No firm pay offer has been put and the increase would depend on how many workers are shed. Esso wants to lose nealy 200.

A driver on typical total earnings of under £180.00 weekly could receive another £30.00 overall. His pensionable pay would be sharply higher, and basic and actual working hours would be cut.

The Transport and General Workers' Union has already shown interest in the deal, but Esso will need to tread carefully—it's employees have refused three productivity deals in two years.

Background, Page 7

THE LEX COLUMN

Tesco beats the war-drums

The widely-rumoured launch of a new price war by Tesco has been unsettling a sector which, in terms of gross margins, has had life very easy over the past year or two. The group is closing its food stores today to prepare the offensive but the stock market has already taken the precautionary measure of marking down share prices in the food retailing sector by an average of about 6 per cent over the last fortnight.

The market is unwilling to be caught napping again. It seriously underestimated the effects of Tesco's last price war—Operation Checkout in 1977—on the sector's profitability. Tesco's own profits fell the following year. The climate may now be ripe for a limited period of discounting. Food price inflation has been moving upwards to meet retail price inflation and the real increases in fixed costs — notably fuel charges, rents and rates—should be less severe for retailers this year.

But Tesco does not now have the leeway to mount a campaign along the lines of Operation Checkout. It no longer has the extra gross margin in the shape of Green Shield Stamps to give to customers. Net trading margins of two per cent are less than half those enjoyed by Sainsbury and Asda. Tesco is in any case unlikely to catch Sainsbury's prices, which are currently estimated to be 3½ per cent lower than Tesco's.

Moreover, with net debt in the region of £80m and rising, due to a heavy capital spending programme, Tesco is at a disadvantage against its relatively ungeared competitors. If volume gains do not compensate for reduced gross margins, high income gearing will show through rapidly on the bottom line.

The competitive environment has also become much tougher. Tesco can still find vulnerable retailers, like the Co-Op and International Stores, but they are less prominent now than they were five years ago. So this week's push may prove stronger on promotion and deep discounting of specific standard lines than on general price competition. By all accounts, Tesco is also planning to push cheap generic and own-label brands. This would do nothing to clarify an already murky image. Last year, Tesco was highlighting quality as its great strength.

But, even though the signs are pointing to restrained hostilities, the market is reserving its position. Tesco's share price, which began to recover earlier this year, dropped 10 per cent last week.

It was certainly unfortunate that the Tesco rumours coincided with the news that Argyll Foods was planning to buy Allied Suppliers for £101m. The food retailing sector enjoys a demanding rating not just because of its historic growth record and strong defensive qualities. Institutions find it difficult to gain sufficient weight in an industry which contains several large, unquoted companies. On top of that the free market capital of the most glamorous stock, Sainsbury, is only half its total issued equity.

Now the sector is to be offered £100m of fresh paper at a time when the dizzy multiples of some retailers leave them very exposed to a period of portfolio adjustment. The yield on Sainsbury's equity is a tiny 2.3 per cent and the sector as a whole, yields only 3.6 per cent.

Hammerson

Hammerson shareholders have until Thursday to decide whether to take up their entitlement to new shares. For the company, the three-for-ten rights issue has been an unhappy experience. The rights were offered with a deep discount at 500p, compared with a price for the "A" shares of 640p shortly before the announcement. Last Friday, the shares closed at 525p, so the underwriters face a nail-biting few days.

The issue appears to have been caught up in an institutional backlash against a spate of property rights issues, at a time when the property market is nervous and share prices have underperformed. The feeling is that companies have been using shareholders as an easy source of cash, regardless of the dilution consequences, when interest rates are riding far above property yields.

The irony is that Hammerson probably has a stronger case for issuing new equity than some other property companies which have recently been tempted to the market. It has outlined the marriage values which would result from its proposed purchase of minority stakes in developments. It is not, therefore, merely issuing new paper at a discount to net worth and using it to compete for new projects in the open market. Unfortunately, this theoretical rectitude has not been accompanied by detailed figures on the extent to which Hammerson's portfolio would be improved.

The report and accounts out today give little further guidance. The chairman makes clear his reluctance to comply next year with the publication of valuations under SSAP 19. But there are some pointers to the way property companies may react to expensive money and diminishing opportunities for rights issues. Hammerson states that it will be undertaking new developments mainly in a trading capacity—often with financial partners. Meanwhile, its main emphasis will be on improving the portfolio it has built up in the last three decades.

Insurance campaign shelved

By Eric Short

THE British Insurance Association has abandoned plans for a multi-million pound promotional campaign this summer because of mounting opposition from insurance companies.

The association, which includes nearly all of the insurance companies, announced plans for the campaign last autumn. It was to have been organised in conjunction with the Life Offices Association, which represents the majority of life assurance companies. It was to have been based on the theme that the public, the insurers and their policy-holders share common interests.

The BIA appointed Saatchi and Saatchi, Britain's largest advertising agency, to mastermind the campaign. Saatchi's preliminary work has already cost the BIA over £50,000.

It was believed that the campaign would have at least anti-nationalisation undertones, even if this was not the central theme. The National Executive Committee of the Labour Party has considered nationalising the insurance companies, though it has not been adopted as party policy.

From the outset there was opposition to the campaign spearheaded by Sun Alliance, Eagle Star and the Co-operative Insurance Society.

They argued that there was no immediate political threat to the insurance industry, and they were not convinced that an industry advertising campaign would be worthwhile. They felt that the money involved—which might have had to be raised through a special levy on the companies—could be better spent on individual company promotions.

The BIA emphasised at the weekend that the project had been shelved rather than completely discarded.

The Life Offices Association might now run its own campaign, focusing purely on life assurance. There was considerable disappointment among life companies

Insurers count cost of winter, Page 6

TALKS WITH TUC ON LAW REFORM

Labour drafts 'rights Bill'

BY JOHN LLOYD, LABOUR EDITOR

A LABOUR Government would introduce a far-reaching Employment Act, plans for which are now being finalised in discussions between the party and the Trades Union Congress.

It would guarantee a range of rights, including the right to strike, mount secondary action and picket, extend the closed shop, ensure a "rate for the job" and help unions to gain recognition and to be consulted on redundancies, representation and other issues.

The plans also include a promise to repeal the Employment Act 1980 and the Employment Bill, which has almost completed its progress through the Commons.

A proposal, made last week in the party's home policy committee by Mr Tony Benn that unions be reimbursed damages paid under present or proposed legislation after Labour returns to power, is unlikely to be incorporated in the plans. It is felt such a pledge assumes that unions will pay fines and many have said they will not.

Major elements in the future legislation would include:

● The right to take all kinds of industrial action, including various forms of secondary action and certain kinds of strike action now either unlawful or about to become so under the Employment Bill. Labour believes that its legislation must curb the courts' ability to restrict such rights in the way they did during the 1974-79 government.

● The right to obtain a trade union "rate for the job" through arbitration. Employers will also be obliged to pay equal wages for equal work, rather than simply the minimum wage for a particular job.

● The right to union recognition, where a union is judged by the Advisory Conciliation and Arbitration Service to be appropriate for collective bargaining purposes.

● The right to consultation on redundancies, to information on a large range of issues and to representation on works councils and possibly company boards.

● Employment protection would be made to cover part-time and temporary workers. It would also cover homebound workers by deeming them employees of the company purchasing their work.

● The high compensation payments presently, or shortly to become, available to workers sacked for refusing to join a union will be abolished, thus re-establishing the strength of the closed shop.

These plans, which are likely to be discussed at a special home policy committee meeting on Wednesday, will be the subject of further consultation with the TUC. The unions have been careful to play a low-key role in their formation, and will probably continue to leave the party to make the running with them, subject to broad agreement between the two wings of the Labour movement.

Other elements which may be part of future Labour employment law include the vexed question of incomes policy. Last week the party's national executive committee was unable to agree even on a vague commitment to discuss incomes

Apex backs economic assessment, Page 7

Civil Service check-off row looms

BY PHILIP BASSETT, LABOUR CORRESPONDENT

CIVIL SERVICE union leaders have agreed to negotiate a government measure which would restrict the unions' ability to mount a repeat of last year's selective strike over pay.

The agreement is bound to anger militants in the union including the Civil and Public Services Association and Inland Revenue Staff Association who scored a number of important victories at annual union conferences last week.

The agreement opens the door to negotiations on government powers to halt union check-off facilities during official industrial action. Check-off involves automatic deduction of union subscriptions from members' pay.

Militants' anger will be even stronger because leaders agreed to negotiate check-off facilities in return for a wider agreement on time-off for trade union duties.

Many militants already find the time-off agreement inadequate. At a conference last week, a motion introduced by left wingers in the largest union, the CPSA, was passed rejecting the time-off or facilities agreement. Members did not know about the Government proposal for ending the check-off facility.

Left wingers argue that if the check-off system was halted during official industrial action, union incomes would be affected and it would be difficult to maintain full strike pay.

Details of the Government's position are given in a confidential Treasury letter, accompanying the new facilities agreement. The letter is signed by Mr Colin Allen, of the Treasury Industrial Relations Department. It is dated April 29, the day before the new facilities agreement came into force.

The letter followed meetings between union leaders and Sir Douglas Wass, Treasury Permanent Secretary and Joint Head of the Home Civil Service, at which the outline of the proposals was agreed. It states: "I explained when we met that the Government wanted it to be clearly understood that there could be no obligation to collect money on behalf of the unions when it was being used to finance industrial action."

While the union's disagreement with this is acknowledged, the letter says the union agreed that fresh discussions would take place

Weather

UK TODAY

MOSTLY dry and sunny. Rain spreading into western areas.

S, E, NW England, Midlands, W, NW Scotland, Central Highlands, N Ireland, Isle of Man

Dry, sunny intervals. Showers later, heavy in places. Max 20C (68F).

SW England, Wales, Channel Islands, Shetland

Rain dying out. Sunny periods with showers later. Max 17C (63F).

N, NE England, E NE Scotland, Orkney

Dry, sunny periods after early mist and fog. Max 18C (64F).

Outlook: Some rain or showers. Sunny intervals.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	21	70	L Ang.†		—	—
Algiers	C	25	77	Luxmbg.	C	20	68
Amsdm.	C	21	70	Luxor	S	37	99
Athens	C	15	59	Madrid	F	21	70
Bahrain	S	31	88	Majorca	F	26	79
Barcina.	C	20	68	Malaga	S	21	70
Beirut	S	28	82	Malta	S	23	73
Belfast	C	15	59	M'chstr	F	17	63
Belgrd.	S	22	72	Melbne.	F	16	61
Berlin	S	24	75	Mx. C †		—	—
Biarritz	C	16	61	Miami†	S	24	75
Bmghm.	F	18	64	Milan	S	25	77
Blackpl.	F	16	61	Montrl.†	C	11	52
Bordx.	C	22	72	Moscow	C	4	39
Boulgn.	C	16	61	Munich	S	23	73
Bristol	C	17	63	Nairobi		—	—
Brussels	F	22	72	Naples	S	22	72
Budpst.		—	—	Nassau		—	—
Cairo	C	34	98	Nwcstl.	F	17	63
Cardiff	C	15	59	N York†	C	13	55
Cas'b'ca	C	19	66	Nice	F	19	66
Cape T.	S	21	70	Nicosia		—	—
Chicg.†		—	—	Oporto	C	16	61
Cologne	F	27	81	Oslo	S	16	61
Cpnhgn.	S	18	64	Paris	F	22	72
Corfu	F	24	75	Perth	F	18	64
Denver†		—	—	Prague	S	23	73
Dublin	C	14	57	Rykjvk.	C	12	54
Dbrvnk.	S	22	72	Rhodes	S	20	68
Ednbgh.	C	15	52	Rio J'o†		—	—
Faro	C	21	70	Rome	S	22	72
Florence	S	24	75	Salzbrg.	S	25	77
Frankft.	F	25	77	S'cisco†		—	—
Funchal	C	21	70	S. Mritz.		—	—
Geneva	C	20	68	Singapr.	S	28	82
Gibrltr.	S	21	70	S'tiago†		—	—
Gl'sg'w	C	12	54	Stckhm.	C	14	57
G'rnsey	S	14	57	Strasbg.	C	25	77
Helsinki	C	8	46	Sydney	S	23	73
H Kong	S	28	82	Tangier	C	20	68
Innsbrk.	S	26	79	Tel Aviv	F	28	82
Invrnss.	C	14	57	Tenerife	S	22	72
I o Man	R	10	50	Tokyo	C	21	70
Istanbul	T	13	55	T'rnto†	F	14	57
Jersey	S	18	64	Tunis	F	24	75
Jo'burg	C	21	70	Valencia	C	20	68
L. Plms.	S	22	72	Venice	S	23	73
Lisbon	C	17	63	Vienna	S	21	70
Locarno	F	22	72	Warsaw	S	19	66
London	C	22	72	Zurich	C	23	73

C—Cloudy. F—Fair. R—Rain. S—Sunny. T—Thunder.
† Noon GMT temperatures.

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Task force

judgment on the issue of sovereignty.

The Government evidently fears that it may be induced to make further concessions, incurring the wrath of its backbenchers, only to find commitments entered by Argentine negotiators disavowed in Buenos Aires.

The Prime Minister and her inner cabinet—Mr Nott, Mr Francis Pym, the Foreign Secretary, Mr William Whitelaw, the Home Secretary and Mr Cecil Parkinson, chairman of the Conservative Party—reviewed the options with the Attorney General, Sir Michael Havers, Sir Anthony Parsons, Sir Nicholas Henderson, Britain's Ambassador to the U.S., and the defence chiefs for more than five hours at Chequers yesterday.

It was not clear whether the two ambassadors had been given more room for manoeuvre in the resumed negotiations.

The inner Cabinet will meet later today and a meeting of the full Cabinet is planned for tomorrow.

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Invasion

munications: These the task force will seek to destroy.

Mr Nott said yesterday that while the UN talks were still alive time was not on the side of negotiations. There were still several military options open to the Government, he said in a BBC radio interview, and he indicated that the task force was now in final positions for whichever option should be chosen.

It is believed, though not confirmed, that the assault-ships Fearless and Intrepid and the troop-carrying liner Canberra are now with the task force.

Mr Nott said that if there were an invasion casualties would be inevitable but the Government would not choose a particular military option "if we were not sure we would succeed."

He repeated that the Government had no plans at present to bomb the Argentine mainland. That would be a "major escalation" of conflict.

EEC divided over sanctions on Argentina

BY JOHN WYLES IN LUXEMBOURG

BRITAIN LAST night ran into difficulties in trying to secure the agreement of other EEC Governments to renew for another month the Community ban on imports from Argentina.

Talks ended without agreement and will be resumed today.

At a special meeting of Foreign Ministers here, Italy, Ireland and Denmark each raised quite different obstacles to continued implementation of the import ban. In addition, several governments, including West Germany and France pressed for a renewal of the sanctions, which expire today, for only a week or two rather than the one month period proposed by the European Commission.

British representatives appeared dismayed at these developments, which emerged at a meeting on Saturday of senior officials from the ten foreign offices. However, they stressed last night that no member State at the meeting had opposed renewing the sanctions.

Yet renewal for less than a month would apparently not be seen by Britain as sending "the right message to Buenos Aires" now that UN mediation is at such a critical stage.

West Germany wants, on the contrary, to send a message to London, stressing the importance of a diplomatic rather than a military solution. This is why Bonn favours an extension of only a fortnight.

However, German officials deny that there is any questionmark over their support for the UK and point to Saturday's declaration of solidarity from Chancellor Schmidt.

The Italian Government's problem stems from the widespread hostility to continued sanctions evident in the Italian Parliament, particularly from the Socialist Party.

Nevertheless, Mr Francis Pym, the Foreign Secretary, was hopeful of a satisfactory agreement largely, it is thought, because the Italians, the Danes and the Irish are expected to succumb to strong pressure to fall into line.